EAST-WEST MANAGEMENT INSTITUTE, INC.

Financial Statements, Supplementary Information and Reports
In Accordance with the Uniform Guidance
For the Years Ended December 31, 2021 and 2020
With Independent Auditor's Reports

MITCHELL TITUS
ACHIEVING EXCELLENCE TOGETHER

EAST-WEST MANAGEMENT INSTITUTE, INC.
For the Years Ended December 31, 2021 and 2020

TABLE OF CONTENTS

MITCHELL TITUS

INDEPENDENT AUDITOR'S REPORT

The Board of Directors
East-West Management Institute, Inc.

Report on the Financial Statements

We have audited the financial statements of East-West Management Institute, Inc. (the Institute), which comprise the statements of financial position as of December 31, 2021 and 2020, the related statements of activities and cash flows for the years 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 December 31, 2021 and 2020, 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 audits 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. 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 audits. 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 the Institute's ability to continue as a going concern for one year after the date that the financial statements are issued or are available to be issued.

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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. In circumstances in which the auditor also has responsibility to express an opinion on the effectiveness of internal control in conjunction with the audit of the financial statements, omit the following: "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 audits, significant audit findings, and certain internal control-related matters that we identified during the audits.

MITCHELL TITUS

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 31, 2022 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.

Mitchell & Titus, LLP

August 31, 2022

EAST-WEST MANAGEMENT INSTITUTE, INC.
Statements of Financial Position
As of December 31, 2021 and 2020

	2021	2020
ASSETS		
Cash	$ 316,775	$ 455,312
Contracts and grants receivable	2,421,564	1,689,621
Contributions receivable	221,970	222,723
Security deposits and other assets	160,490	259,674
Property and equipment, net	14,855	-
Total assets	$ 3,135,654	$ 2,627,330
LIABILITIES AND NET ASSETS		
Accounts payable and accrued expenses	$ 811,880	$ 597,972
Deferred revenue	554,775	217,792
Loans payable	575,000	450,000
Total liabilities	1,941,655	1,265,764
COMMITMENTS		
Net assets		
Without donor restriction	1,008,811	1,025,576
With donor restriction	185,188	335,990
Total net assets	1,193,999	1,361,566
Total liabilities and net assets	$ 3,135,654	$ 2,627,330

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

EAST-WEST MANAGEMENT INSTITUTE, INC.

Statements of Activities

For the Years Ended December 31, 2021 and 2020

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND RECLASSIFICATIONS						
U.S. Government grants and cooperative agreements	12,179,699	$ -	$ 12,179,699	$ 7,518,824	$ -	$ 7,518,824
U.S. Government contracts	2,879,742	-	2,879,742	5,374,764	-	5,374,764
United Kingdom's Foreign and Commonwealth Office (FCO)	342,536	-	342,536	82,394	-	82,394
Contributed services	191,795	-	191,795	98,521	-	98,521
Other contracts	291,581	-	291,581	289,858	-	289,858
Other grants and contributions	505,292	138,608	643,900	279,107	440,299	719,406
Other income	103	-	103	90	-	90
Net assets released from restrictions	289,410	(289,410)	-	363,688	(363,688)	-
Total revenue and reclassifications	16,680,158	(150,802)	16,529,356	14,007,246	76,611	14,083,857
EXPENSES						
Program	14,235,215	-	14,235,215	11,605,963	-	11,605,963
General and administrative	2,455,356	-	2,455,356	2,505,523	-	2,505,523
Total expenses	16,690,571	-	16,690,571	14,111,486	-	14,111,486
Change in net assets before other income (expense)	(10,413)	(150,802)	(161,215)	(104,240)	76,611	(27,629)
OTHER INCOME (EXPENSE)						
Interest income	40	-	40	753	-	753
Currency exchange gain (loss)	-	-	-	-	-	-
Interest expense	(13,509)	-	(13,509)	(12,925)	-	(12,925)
Deferred rent expense	8,125	-	8,125	19,500	-	19,500
Bad debt	(1,009)	-	(1,009)	(1,026)	-	(1,026)
Other expense, net	(6,352)	-	(6,352)	6,302	-	6,302
Change in net assets	(16,765)	(150,802)	(167,567)	(97,938)	76,611	(21,327)
Net assets, beginning of year	1,025,576	335,990	1,361,566	1,123,514	259,379	1,382,893
Net assets, end of year	$ 1,008,811	$ 185,188	$ 1,193,999	$ 1,025,576	$ 335,990	$ 1,361,566

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

EAST-WEST MANAGEMENT INSTITUTE, INC.
Statements of Cash Flows
For the Years Ended December 31, 2021 and 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ (167,567)	$ (21,327)
Adjustments to reconcile change in net assets to net cash used in operating activities		
Depreciation	3,714	-
Changes in operating assets and liabilities		
Increase in contracts and grants receivable	(731,942)	(247,803)
(Increase) decrease in contributions receivable	753	(48,523)
(Increase) decrease in security deposits and other assets	99,184	(54,013)
Increase in accounts payable and accrued expenses	213,908	31,660
Increase in deferred revenue	336,983	178,410
Net cash used in operating activities	(244,967)	(161,596)
CASH FLOWS FROM FINANCING ACTIVITIES		
Total purchase of equipment	(18,570)	-
(Repayment) borrowings of loan principal	125,000	(90,000)
Net cash provided by (used in) financing activities	106,430	(90,000)
Net decrease in cash and restricted cash	(138,537)	(251,596)
Cash and restricted cash, beginning of the year	455,312	706,908
Cash and restricted cash, end of the year	$ 316,775	$ 455,312
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during the year for interest	$ 13,509	$ 12,925

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

NOTE 1 ORGANIZATION

East-West Management Institute, Inc. (the Institute, or EWMI) was organized in January 1988 as a not-for-profit corporation under sub-paragraph (a)(5) of Section 102 of the not-for-profit corporation law of the State of New York and is recognized as a public charity under Section 501(c)(3) of the Internal Revenue Code (the Code). The Institute was established to help build the infrastructure and institutions of an open society through the support of a variety of educational, legal, and economic restructuring activities.

The Institute's government revenue arises primarily from contracts, cooperative agreements, and grants from the United States Agency for International Development (USAID) and the U.S. Department of State (collectively, the U.S. Government). Programs covered by these contracts, cooperative agreements, and grants in 2021 and 2020 were as follows:

- Development and implementation of judicial reform, legal aid, and rule of law programs in Albania, Armenia, Cambodia, Croatia, Georgia, Kyrgyz Republic, North Macedonia, Sri Lanka, Uganda, and Uzbekistan.
- Civil society programs, including training and support for non-governmental organizations (NGOs), grassroots networks, public policy, and human rights programs in Cambodia, Georgia, Kyrgyz Republic, North Macedonia, and Uganda.
- Training and support for economic and community development in Azerbaijan.

During 2021 and 2020, the Institute had other programs that were funded through grants from other sources. They included a project to explore and promote the option for building community-based philanthropic endowments by capturing a portion of the proceeds of privatization; various programs to support public interest legal advocacy; programs to promote open data and transparent development in Southeast Asia, the Lower Mekong countries, and Kosovo; programs to support sustainable green development in Southeast Asia; a program on freedom of expression in Malaysia, and a program to support indigenous data sovereignty in Asia.

The Institute also implemented contracts in 2021 and 2020 to support Landesa's land and forestry programs in the Mekong region, contracts to support World Wildlife Fund's efforts to strengthen conservation, community engagement, and indigenous voices in Asia, a contract with the World Bank to develop a data literacy program in Myanmar, and a contract to undertake a gender analysis in Malaysia.

As described in Note 7, the Institute implements grant-making programs to foster the rule of law, economic development, and a civil society worldwide. These programs are generally funded through various grants, cooperative agreements, contracts and contributions from governments and private donors.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The Institute's financial statements have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) as applicable to not-for-profit entities.

Net Asset Classification

The Institute's net assets are presented and classified as net assets without donor restrictions and net assets with donor restrictions based on the existence or absence of donor-imposed restrictions.

Without donor restrictions–Resources that are not subject to donor restrictions. Net assets without donor restrictions may be designated by the Board of Directors (the Board), or management at the Board's direction, to cover any purpose determined by the Institute.

With donor restrictions–Funds that the Institute may use in accordance with donor restrictions for specific purposes or upon the passage of time (see Note 5).

Use of Estimates

The preparation of financial statements in accordance with 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 reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates.

Revenue Recognition

Revenue from grants and contracts is recorded when services are performed in accordance with the underlying agreements. Federal funds under cooperative agreements are recorded as revenue when expenditures are incurred and are billable to the government.

As of December 31, 2021 and 2020, all amounts owed under such grants, cooperative agreements, and contracts were fully funded and, accordingly, no balance was owed.

Contributions

All unconditional contributions are recorded as revenue when received at their fair value. The fair value of long-term receivables is measured based on the present value of future cash flows, with market participants giving consideration to the expectation of possible variations in the amount and/or timing of the cash flows, the donors' credit risk and other specific factors to be determined.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Contributions *(continued)*

All contributions are considered available for unrestricted use, unless specifically restricted by the donor. The Institute records contributions as net assets with donor restrictions if they are received with donor stipulations that limit their use either by purpose or the passage of time. When donor restrictions expire (*i.e.*, when a purpose or time restriction is fulfilled), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the accompanying statements of activities as net assets released from restrictions.

Cost-Share Amounts and Contributed Services

Cost-share amounts include cash received from non-U.S. Government donors and expended, as well as in-kind services provided to the applicable USAID grants. These amounts are recorded by the Institute as contributions and program expenses in the accompanying statements of activities.

Contributed services that meet the appropriate criteria are recorded as both contributions and expenses at fair value at the time the services are rendered. These services are provided by professionals who contributed their time to further develop the Institute's programs.

All of the Institute's Board members have volunteered their time to serve on the Board. The value of this contributed time is not reflected in these financial statements since the services do not meet all of the following criteria for recognition: (a) create or enhance nonfinancial assets or (b) require specialized skills provided by individuals possessing those skills, and (c) would typically need to be purchased if they were not donated.

Cash

The Institute maintains cash in bank accounts in amounts that may exceed federally insured limits. The Institute has not experienced any account losses.

Property and Equipment

The Institute capitalizes property and equipment purchased at a cost of $5,000 or more. Depreciation of property and equipment is provided using the straight-line method over the estimated useful lives of the assets purchased, which range from three to seven years.

Functional Allocation of Expenses

Costs that are specifically identifiable to programs or to management and administration are charged directly to such functions. Costs incurred for both programs and general and administration are allocated based on certain factors, such as the time spent on activities performed under the respective functions. The Institute does not perform fund-raising activities.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Income Taxes

Management evaluated the Institute's tax positions and concluded that, as of December 31, 2021, there were no uncertain tax positions taken or expected to be taken. Accordingly, no interest or penalties related to uncertain tax positions have been accrued in the accompanying financial statements.

The Institute is subject to audits by taxing jurisdictions; however, no audits for any tax periods are currently in progress. Management believes that the Institute is no longer subject to income tax examinations by federal, state, or local tax authorities for years ended on and prior to December 31, 2018.

Statements of Cash Flows

The following table provides a reconciliation of cash and restricted cash within the accompanying statements of financial position that sum to the total of the same amounts shown in the accompanying statements of cash flows.

	2021	2020
Cash	$ 316,775	$ 455,312
Restricted cash	-	-
	$ 316,775	$ 455,312

Amounts included in restricted cash represent amounts held on behalf of certain employees.

Accounting Pronouncements Adopted

In June 2018, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which provides a more robust framework for determining whether a transaction should be accounted for as a contribution or exchange transaction. The ASU also provides additional guidance on determining whether or not a contribution is conditional, which impacts the timing of when a contribution is recorded. The amendments are effective for the Institute's fiscal year ended December 31, 2020, as they relate to contributions received and for the fiscal year ended December 31, 2021 as it relates to any contributions made by the Institute. The Institute has adopted this ASU and there was no material impact on the financial statements.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Accounting Pronouncements Adopted *(continued)*

In August 2018, the FASB issued ASU 2018-13, *Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement*, which amends Accounting Standards Codification (ASC) 820, *Fair Value Measurement*. This ASU modifies the disclosure requirements for fair value measurements by removing, modifying, or adding certain disclosures. The Institute has adopted this ASU in 2020 and there was no material impact to the financial results.

Accounting Pronouncements Not Yet Adopted

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers*, which requires additional disclosures pertaining to qualitative and quantitative disaggregation of revenue into categories that explain how revenue and cash flows are impacted by economic factors, information about contract balances, and discussion of remaining performance obligations. The scope of this ASU excludes contributions and collaborative arrangements since they are not viewed to be contracts with customers. The key principle of the guidance is to recognize revenue to reflect the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The effective date for ASU 2014-09 was delayed by one year through ASU 2020-05. The amendments are effective for the Institute's fiscal year ended December 31, 2021. The Institute is currently evaluating the impact of the adoption of the ASU on its financial statements.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*, which creates a singular reporting model for leases. This ASU will require the entity to record changes to its statement of financial position to reflect balances for current leases that are not shown in the statement of financial position. The effective date for ASU 2016-02 was delayed by one year through ASU 2020-05. The amendments are effective for the Institute's fiscal year ending December 31, 2022. The Institute is currently evaluating the impact of the adoption of the ASU on its financial statements.

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments—Credit Losses (Topic 326)*. The ASU requires organizations to measure all expected credit losses for financial instruments held at the reporting date based on historical experience, current conditions and reasonable and supportable forecasts. The ASU impacts organizations that hold financial assets and net investments in leases that are not accounted for at fair value through net income. The scope of this guidance affects trade receivables, loans receivable, and net investment in leases among other financial assets; however, it excludes contributions (pledges) receivable. The effective date of the ASU is for fiscal years beginning after December 15, 2022. The Institute is currently evaluating the impact of the adoption of the ASU on its financial statements.

NOTE 3 CONTRIBUTIONS RECEIVABLE

Contributions receivable at December 31, 2021 and 2020 was expected to be collected in less than one year.

NOTE 4 DEFERRED REVENUE

Funds under the following grants were recorded as deferred revenue and recognized as revenue based on expenditures incurred.

	2021			
	Opening Balance	Funds Received	Recognized as Revenue	Deferred Revenue
National Endowment Democracy (NED)	$ -	$ 58,000	$ 43,116	$ 14,884
New America Foundation	-	20,000	-	20,000
Kosovo Open Data	9,987	-	5,525	4,462
Stockholm University - Spider	-	44,797	44,797	-
Luminate	187,500	425,206	205,223	407,483
Luminate II	-	298,315	191,295	107,020
Landesa II	-	176,430	176,430	-
RECOFTC (EU Funds) – Voices for Mekong Forests	1,225	26,300	26,599	926
Latin American Open Data Initiative (ILDA)	19,080	12,720	31,800	-
	$ 217,792	$ 1,061,767	$ 724,784	$ 554,775

	2020			
	Opening Balance	Funds Received	Recognized as Revenue	Deferred Revenue
Kosovo Open Data	$ -	$ 11,799	$ 1,812	$ 9,987
Stockholm University - Spider	-	43,957	43,957	-
Luminate	-	187,500	-	187,500
Landesa II	-	200,000	200,000	-
Landesa	38,875	-	38,875	-
RECOFTC (EU Funds) – Voices for Mekong Forests	505	38,978	38,258	1,225
Latin American Open Data Initiative (ILDA)	-	19,080	-	19,080
	$ 39,380	$ 501,314	$ 322,902	$ 217,792

NOTE 5 NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions at December 31 consisted of contributions for the following purposes:

	2021	2020
Open Development Initiative	$ 88,288	$ 48,391
Partner Legacy Support Fund Donations	20,733	86,500
International Development Research Center (IDRC)	76,168	201,099
	$ 185,188	$ 335,990

NOTE 5 NET ASSETS WITH DONOR RESTRICTIONS *(continued)*

Net assets released from donor restrictions consisted of expenditures for the following purposes:

	2021	2020
Open Development Initiative	$ 60,103	$ 198,514
Partner Legacy Support Fund Donations	13,235	15,323
Support for development of public interest law in Cambodia	85,000	85,000
International Development Research Center (IDRC)	131,072	64,851
	$ 289,410	$ 363,688

NOTE 6 GOVERNMENT GRANTS, COOPERATIVE AGREEMENTS, AND CONTRACTS

The Institute's grants, cooperative agreements, and contracts with the U.S. Government and sub-contracts with certain pass-through entities generally cover several periods. At the end of the year, total funds available consisted of the following: $79,906,742 in 2021 and $19,197,031 in 2020 under remaining grants and cooperative agreements; $1,680,576 in 2021 and $4,551,547 in 2020 under remaining contracts; $1,876,972 in 2021 and $2,038,538 in 2020 under remaining sub-awards. These funds will be recognized as revenue when the services have been rendered.

The Institute is obligated to provide matching funding under certain U.S. Government grants and cooperative agreements. Subject to certain restrictions, matching funds may be met with funds from other grants and contracts, and cost-share amounts (see Notes 2 and 7), and other contributions. Matching funds obligated and not yet provided under remaining grants and cooperative agreements totaled $4,306,232 and $777,097 at December 31, 2021 and 2020, respectively.

All contracts, cooperative agreements, and grants with the USAID and the U.S. Department of State allow the Institute to charge for indirect costs using a provisional indirect cost rate for the year, which may be different from the actual indirect cost rate that may be finally allowed for that year under such contracts, cooperative agreements, and grants. Adjustments for the difference between the indirect costs allowed under the provisional rate and the actual indirect costs incurred during the year are accrued and recognized in the financial statements in the year in which the difference occurs.

NOTE 6 GOVERNMENT GRANTS, COOPERATIVE AGREEMENTS, AND CONTRACTS *(continued)*

During 2021, the Institute's actual indirect costs were lower than the amount billed throughout 2021, using the provisional indirect cost rate, by a net amount of $111,471. This amount was presented as a reduction of grants and contracts receivable in the accompanying financial statements at December 31, 2021, and will be deducted from the 2023 billing to the USAID and the U.S. Department of State after approval of the final indirect cost rate by the USAID.

During 2020, the Institute's actual indirect costs were higher than the amount billed throughout 2020, using the provisional indirect cost rate. At December 31, 2020, the federal government and other contractors owed a net total of $256,315 to the Institute in indirect cost adjustments in 2020 for its contracts and cooperative agreements. Such amounts have been included in the Institute's revenue and contracts and grants receivable in the accompanying financial statements at December 31, 2020, and are expected to be collected in the 2021 billings to the USAID and the U.S. Department of State after approval of the final indirect cost rate by the USAID.

NOTE 7 GRANT EXPENSE

The Institute implements grant-making programs to foster the rule of law, economic development, and a civil society worldwide. The activities it has supported include the development of NGOs and professional associations; promotion of ethnic tolerance, human rights and independent media; rural economic development and curriculum development; and research and policy reform in transitional countries. A significant goal is for the sustainability of local institutions. The Institute complements its grant-making with capacity-building activities for NGOs and other groups, professional training, and advisory services. It also engages other donors to co-fund programs and sub-grantees.

Generally, grants are awarded through a competitive grant application process. In addition, the Institute supports certain unsolicited proposals and partnerships. The Institute made cash grants of $5,018,314 in 2021 and $4,006,847 in 2020 to local NGOs and other groups. Sub-grantees' cost share under these programs totaled $641,706 in 2021 and $335,863 in 2020.

NOTE 8 EMPLOYEE BENEFIT PLAN

The Institute maintains a defined contribution plan (the Plan) under Section 401(k) of the Code, covering substantially all employees. Under the Plan, which was established in 1999, the Institute provides matching contributions equal to 3% of all qualified employees' compensation to the 401(k) component of the Plan. The Institute additionally elected to contribute 6.31% and 4.14% of all qualified employees' compensation to the revenue-sharing component of the Plan during 2021 and 2020, respectively. The Institute's total contributions to the Plan were approximately $217,523 in 2021 and $166,961 in 2020. An officer of the Institute serves as the Plan's trustee.

NOTE 9 FUNCTIONAL EXPENSES

The Institute's expenses were allocated to functional categories as follows:

	Year Ended December 31, 2021		
	Program	General and Administrative	Total
Expenses			
Salaries and employee benefits	$ 4,692,763	$ 1,761,356	$ 6,454,119
Consultants and related expenses	1,801,174	109,638	1,910,812
Rent	291,026	200,969	491,995
Office expense and supplies	195,179	74,554	269,733
Depreciation	-	3,714	3,714
Travel and meals	98,681	17,054	115,735
Insurance	17,498	93,412	110,910
Overseas allowances	141,126	-	141,126
Grants and subcontracts	6,441,196	-	6,441,196
Messengers and postage	22,086	748	22,833
Noncapitalized equipment	266,167	35,192	301,359
Telecommunications	35,002	11,538	46,539
Other professional services	50,286	93,218	143,504
Meetings and trainings	131,765	3,940	135,705
Miscellaneous	51,268	50,024	101,292
Total expenses	14,235,215	2,455,356	16,690,571
Other expenses			
Interest	-	13,509	13,509
Deferred rent	-	(8,125)	(8,125)
Bad debt	1,009	-	1,009
Total other expenses	1,009	5,384	6,393
Total	$ 14,236,225	$ 2,460,739	$ 16,696,964

NOTE 9 FUNCTIONAL EXPENSES *(continued)*

	Year Ended December 31, 2020		
	Program	General and Administrative	Total
Expenses			
Salaries and employee benefits	$ 4,258,440	$ 1,743,865	$ 6,002,305
Consultants and related expenses	1,219,004	171,085	1,390,089
Rent	267,761	251,550	519,311
Office expense and supplies	197,500	50,445	247,945
Travel and meals	38,912	26,457	65,369
Insurance	32,724	77,037	109,761
Overseas allowances	94,921	-	94,921
Grants and subcontracts	5,145,742	-	5,145,742
Messengers and postage	7,822	240	8,062
Noncapitalized equipment	131,608	25,967	157,575
Telecommunications	31,829	10,648	42,477
Other professional services	41,597	107,235	148,832
Meetings and trainings	104,315	8,319	112,634
Miscellaneous	33,788	32,674	66,462
Total expenses	11,605,963	2,505,523	14,111,486
Other expenses			
Interest	-	12,925	12,925
Bad debt	-	1,026	1,026
Total other expenses	-	13,951	13,951
Total	$ 11,605,963	$ 2,519,474	$ 14,125,437

NOTE 10 COMMITMENTS AND CONTINGENCIES

Loan Agreement

On September 19, 2013, the Institute entered into a loan agreement (the Agreement) with Bank of America, N.A. (the Bank), whereby the Bank provided the Institute with a revolving line of credit (the Facility) in the amount of $1,000,000 (the Facility Commitment). The Facility, as renewed, ends on February 15, 2023 (the Facility Expiration Date), and may be renewed by the Bank prior to the Facility Expiration Date. The portion of the Facility Commitment not used by the Institute is subject to an unused commitment fee of 0.0625%.

The loan bears interest calculated daily using the British Bankers Association London Interbank Offered Rate plus 1.85%. Interest expense in 2021 and 2020 totaled $13,509 and $12,925, respectively.

The payment of the Institute's obligations under the Agreement, up to the amount of $1,000,000, is unconditionally guaranteed by another organization.

The Institute is in compliance with the terms of the Agreement.

NOTE 10 COMMITMENTS AND CONTINGENCIES *(continued)*

Leases

The Institute leases office space in New York, Washington, DC and various international locations. The New York office space is under a five-year lease that commenced on September 1, 2021. The leases in foreign locations have terms terminating on various dates through 2021.

Annual future minimum rental payments under the leases are as follows:

	Rental Payments		
Year Ending December 31	**NYO Lease**	**Foreign Locations**	**Total**
2022	$ 120,000	$ 364,198	$ 484,198
	$ 120,000	$ 364,198	$ 484,198

Certain leases may be canceled by the Institute based on certain circumstances or with notice.

Rent expense for the years ended 2021 and 2020 was $491,995 and $519,311, respectively.

U.S. Government Grants, Cooperative Agreements, and Contracts

The Institute is obligated to provide matching funding under certain U.S. Government grants and cooperative agreements. Such obligations under the remaining grants and cooperative agreements at December 31, 2021 totaled $641,706 (see Note 7).

Certain U.S. Government grants, cooperative agreements, and contracts may be subject to audit by the funding sources. Such audit might result in disallowances of costs submitted for reimbursement. Management believes that such cost disallowances, if any, will not have a material effect on the accompanying financial statements. Accordingly, no amounts have been accrued in the accompanying financial statements for such potential claims.

NOTE 11 CONCENTRATION OF RISK

The Institute received approximately 81% and 86% of its total revenue in 2021 and 2020, respectively, either directly or indirectly from the USAID. Any significant reduction in the level of support from the USAID could have a material adverse effect on the Institute’s programs.

NOTE 12 LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, without donor or other restrictions limiting their use, within one year of December 31, comprise the following:

	2021	2020
Cash	$ 316,775	$ 455,312
Contracts and grants receivable	2,421,564	1,689,621
Contributions receivable	221,970	222,723
	$ 2,960,309	$ 2,367,656

As part of the Institute's liquidity management plan, the Institute structures its assets to be available as general expenditures, liabilities and other obligations as they become due. The Institute maintains sufficient cash to meet its operating requirements, and should additional needs arise, the Institute can draw down on its line of credit of $1,000,000. As of December 31, 2021 and 2020, amounts outstanding under the line of credit amounted to $575,000 and $450,000, respectively.

NOTE 13 PAYCHECK PROTECTION PROGRAM (PPP)

On March 17, 2021, the Institute received the second round of loan proceeds in the amount of $226,180 under the PPP. The PPP, established as part of the Coronavirus Aid, Relief, and Economic Security Act, provides loans to qualifying businesses. The loans and accrued interest are forgivable after 24 weeks if the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The amount of loan forgiveness will be reduced if the borrower terminates employees or reduces salaries during the 24-week period. The unforgiven portion of the PPP loan is payable over two years at an interest rate of 1%, with a deferral of payments for the first six months. On November 29, 2021, the Institute was notified that its PPP loan was fully forgiven by the U.S. Small Business Administration. Therefore, the Institute concluded that the PPP loan represented, in substance, a conditional contribution as of December 31, 2021. As a result, the Institute has accounted for the PPP loan in accordance with ASC 958-605, *Not-for-Profit Entities: Revenue Recognition*, as a conditional contribution. As of December 31, 2021, the Institute had recognized the loan proceeds related to eligible expenses of $226,180.

NOTE 14 SUBSEQUENT EVENTS

The Institute evaluates events occurring after the date of the financial statements to consider whether or not the impact of such events needs to be reflected or disclosed in the financial statements. Such evaluation was performed through June 30, 2022, the date the financial statements were approved for issuance. There were no subsequent events that should be accounted for or require disclosure in the accompanying financial statements.