

EAST-WEST MANAGEMENT INSTITUTE, INC.

Financial Statements

For the Years Ended December 31, 2020 and 2019

With Independent Auditor's Reports



MITCHELL TITUS
ACHIEVING EXCELLENCE TOGETHER

EAST-WEST MANAGEMENT INSTITUTE, INC.
For the Years Ended December 31, 2020 and 2019

TABLE OF CONTENTS

	<u>Page(s)</u>
INDEPENDENT AUDITOR'S REPORT	1-2
FINANCIAL STATEMENTS	
Statements of Financial Position	3
Statements of Activities	4
Statements of Cash Flows	5
Notes to Financial Statements	6-18



INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of East-West Management Institute, Inc. (the Institute), which comprise the statements of financial position as of December 31, 2020 and 2019, the related statements of activities and cash flows for the years 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 conformity 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 of material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 auditor's 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.

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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 East-West Management Institute, Inc. as of December 31, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Mitchell Titus, LLP

June 29, 2021

EAST-WEST MANAGEMENT INSTITUTE, INC.
 Statements of Financial Position
 As of December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
ASSETS		
Cash	\$ 455,312	\$ 679,923
Contracts and grants receivable	1,689,621	1,441,818
Contributions receivable	222,723	174,200
Security deposits and other assets	259,674	205,659
Restricted cash	-	26,985
Total assets	<u>\$ 2,627,330</u>	<u>\$ 2,528,585</u>
LIABILITIES AND NET ASSETS		
Accounts payable and accrued expenses	\$ 597,972	\$ 566,312
Deferred revenue	217,792	39,380
Loans payable	450,000	540,000
Total liabilities	<u>1,265,764</u>	<u>1,145,692</u>
COMMITMENTS		
<i>Net assets</i>		
Without donor restriction	1,025,576	1,123,514
With donor restriction	335,990	259,379
Total net assets	<u>1,361,566</u>	<u>1,382,893</u>
Total liabilities and net assets	<u>\$ 2,627,330</u>	<u>\$ 2,528,585</u>

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, 2020 and 2019

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND RECLASSIFICATIONS						
U.S. Government grants and cooperative agreements	\$ 7,518,824	\$ -	\$ 7,518,824	\$ 9,344,445	\$ -	\$ 9,344,445
U.S. Government contracts	5,374,764	-	5,374,764	6,703,445	-	6,703,445
United Kingdom's Foreign and Commonwealth Office (FCO)	82,394	-	82,394	477,651	-	477,651
Contributed services	98,521	-	98,521	342,446	-	342,446
Other contracts	289,858	-	289,858	415,187	-	415,187
Other grants and contributions	279,107	440,299	719,406	214,720	405,235	619,955
Other income	90	-	90	-	-	-
Net assets released from restrictions	363,688	(363,688)	-	592,343	(592,343)	-
Total revenue and reclassifications	14,007,246	76,611	14,083,857	18,090,237	(187,108)	17,903,129
EXPENSES						
Program	11,605,963	-	11,605,963	15,841,663	-	15,841,663
General and administrative	2,505,523	-	2,505,523	2,225,686	-	2,225,686
Total expenses	14,111,486	-	14,111,486	18,067,349	-	18,067,349
Change in net assets before other income (expense)	(104,240)	76,611	(27,629)	22,888	(187,108)	(164,220)
OTHER INCOME (EXPENSE)						
Interest income	753	-	753	6,725	-	6,725
Currency exchange gain (loss)	-	-	-	(219)	-	(219)
Interest expense	(12,925)	-	(12,925)	(20,290)	-	(20,290)
Deferred rent expense	19,500	-	19,500	19,500	-	19,500
Bad debt	(1,026)	-	(1,026)	(2,619)	-	(2,619)
Other income, net	6,302	-	6,302	3,097	-	3,097
Change in net assets	(97,938)	76,611	(21,327)	25,985	(187,108)	(161,123)
Net assets, beginning of year	1,123,514	259,379	1,382,893	1,097,529	446,487	1,544,016
Net assets, end of year	\$ 1,025,576	\$ 335,990	\$ 1,361,566	\$ 1,123,514	\$ 259,379	\$ 1,382,893

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, 2020 and 2019

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (21,327)	\$ (161,123)
<i>Adjustments to reconcile change in net assets to net cash used in operating activities</i>		
<i>Changes in operating assets and liabilities</i>		
Increase in contracts and grants receivable	(247,803)	(162,332)
(Increase) decrease in contributions receivable	(48,523)	83,421
(Increase) decrease in security deposits and other assets	(54,015)	9,743
Increase (decrease) in accounts payable and accrued expenses	31,660	(35,636)
Increase (decrease) in deferred revenue	178,412	(180,657)
Net cash used in operating activities	<u>(161,596)</u>	<u>(446,584)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
(Repayment) borrowings of loan principal	<u>(90,000)</u>	<u>40,000</u>
Net cash (used in) provided by financing activities	<u>(90,000)</u>	<u>40,000</u>
Net decrease in cash and restricted cash	(251,596)	(406,584)
Cash and restricted cash, beginning of the year	<u>706,908</u>	<u>1,113,492</u>
Cash and restricted cash, end of the year	<u><u>\$ 455,312</u></u>	<u><u>\$ 706,908</u></u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during the year for interest	<u><u>\$ 12,925</u></u>	<u><u>\$ 20,290</u></u>

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

EAST-WEST MANAGEMENT INSTITUTE, INC.

Notes to Financial Statements

For the Years Ended December 31, 2020 and 2019

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 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 2020 and 2019 were as follows:

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

During 2020 and 2019, 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; and a program on freedom of expression in Malaysia.

The Institute also implemented contracts in 2020 and 2019 to support Landesa's Myanmar Program, a contract to support World Wildlife Fund's efforts to strengthen conservation and community engagement in the Eastern Plains landscape of Cambodia, 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.

EAST-WEST MANAGEMENT INSTITUTE, INC.

Notes to Financial Statements

For the Years Ended December 31, 2020 and 2019

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, 2020 and 2019, 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.

EAST-WEST MANAGEMENT INSTITUTE, INC.
Notes to Financial Statements
For the Years Ended December 31, 2020 and 2019

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.

EAST-WEST MANAGEMENT INSTITUTE, INC.

Notes to Financial Statements

For the Years Ended December 31, 2020 and 2019

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

Management evaluated the Institute's tax positions and concluded that, as of December 31, 2020, 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, 2017.

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.

	<u>2020</u>	<u>2019</u>
Cash	\$ 455,312	\$ 679,923
Restricted cash	-	26,985
	<u>\$ 455,312</u>	<u>\$ 706,908</u>

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, 2019, as they relate to contributions received and for the fiscal year ended December 31, 2020 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.

EAST-WEST MANAGEMENT INSTITUTE, INC.

Notes to Financial Statements

For the Years Ended December 31, 2020 and 2019

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 2014-09 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.

EAST-WEST MANAGEMENT INSTITUTE, INC.
Notes to Financial Statements
For the Years Ended December 31, 2020 and 2019

NOTE 3 CONTRIBUTIONS RECEIVABLE

Contributions receivable at December 31, 2020 and 2019 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.

	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
	<u>\$ 39,380</u>	<u>\$ 501,314</u>	<u>\$ 322,902</u>	<u>\$ 217,792</u>
	2019			
	Opening Balance	Funds Received	Recognized as Revenue	Deferred Revenue
Fauna and Flora	\$ -	\$ 18,436	\$ 18,436	\$ -
Stockholm University – Spider - ODC	16,726	5,180	21,906	-
Stockholm University – Spider - Grant 2019	-	71,899	71,899	-
Parliamentary Institute of Cambodia	22,534	-	22,534	-
Landesa	128,040	215,000	304,165	38,875
RECOFTC (EU Funds) – Voices for Mekong Forests	2,557	22,500	24,552	505
Risks of Open Data Sharing (ODI) – Spider	25,779	-	25,779	-
ODI Platform Upgrade (ODI) – Spider	24,401	-	24,401	-
	<u>\$ 220,037</u>	<u>\$ 333,015</u>	<u>\$ 513,672</u>	<u>\$ 39,380</u>

NOTE 5 NET ASSETS WITH DONOR RESTRICTIONS

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

	2020	2019
Open Development Initiative	\$ 48,391	\$ 246,905
Partner Legacy Support Fund Donations	86,500	12,474
Support for development of public interest law in Cambodia International Development Research Center (IDRC)	201,099	-
	<u>\$ 335,990</u>	<u>\$ 259,379</u>

EAST-WEST MANAGEMENT INSTITUTE, INC.
Notes to Financial Statements
For the Years Ended December 31, 2020 and 2019

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

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

	<u>2020</u>	<u>2019</u>
Philanthropication through Privatization (a program for building community-based philanthropic institutions in less developed countries)	\$ -	\$ 180,291
Open Development Initiative	198,514	177,539
Partner Legacy Support Fund Donations	15,323	3,500
Support for development of public interest law in Cambodia	85,000	85,000
International Development Research Center (IDRC)	64,851	146,013
	<u>\$ 363,688</u>	<u>\$ 592,343</u>

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: \$19,197,031 in 2020 and \$12,340,271 in 2019 under remaining grants and cooperative agreements; \$4,551,547 in 2020 and \$9,907,014 in 2019 under remaining contracts; \$2,038,538 in 2020 and \$37,949 in 2019 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 \$777,097 and \$190,830 at December 31, 2020 and 2019, 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 differences occur.

EAST-WEST MANAGEMENT INSTITUTE, INC.

Notes to Financial Statements

For the Years Ended December 31, 2020 and 2019

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

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.

During 2019, the Institute's actual indirect costs were lower than the amount billed throughout 2019, using the provisional indirect cost rate, by a net amount of \$44,546. This amount was presented as a reduction of grants and contracts receivable in the accompanying financial statements at December 31, 2019, and will be deducted from the 2020 billing 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 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 \$4,006,847 in 2020 and \$6,365,603 in 2019 to local NGOs and other groups. Sub-grantees' cost share under these programs totaled \$335,863 in 2020 and \$624,344 in 2019.

EAST-WEST MANAGEMENT INSTITUTE, INC.
Notes to Financial Statements
For the Years Ended December 31, 2020 and 2019

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 4.14% and 4.15% of all qualified employees' compensation to the revenue-sharing component of the Plan during 2020 and 2019, respectively. The Institute's total contributions to the Plan were approximately \$166,961 in 2020 and \$154,200 in 2019. 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, 2020		
	Program	General and Administrative	Total
<i>Expenses</i>			
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	32,675	66,463
Total expenses	11,605,963	2,505,523	14,111,486
<i>Other expenses</i>			
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

EAST-WEST MANAGEMENT INSTITUTE, INC.
Notes to Financial Statements
For the Years Ended December 31, 2020 and 2019

NOTE 9 FUNCTIONAL EXPENSES *(continued)*

	Year Ended December 31, 2019		
	Program	General and Administrative	Total
<i>Expenses</i>			
Salaries and employee benefits	\$ 4,297,105	\$ 1,539,068	\$ 5,836,173
Consultants and related expenses	1,644,287	98,768	1,743,055
Rent	291,185	255,702	546,887
Office expense and supplies	191,655	47,712	239,367
Travel and meals	187,910	83,942	271,852
Insurance	23,860	53,594	77,454
Overseas allowances	83,554	-	83,554
Grants and subcontracts	8,237,642	5,000	8,242,642
Messengers and postage	5,410	455	5,865
Noncapitalized equipment	56,729	12,431	69,160
Telecommunications	30,901	8,513	39,414
Other professional services	52,414	84,289	136,703
Meetings and trainings	663,817	7,941	671,758
Miscellaneous	75,194	28,271	103,465
Total expenses	<u>15,841,663</u>	<u>2,225,686</u>	<u>18,067,349</u>
<i>Other expenses</i>			
Interest	-	20,290	20,290
Bad debt	-	2,619	2,619
Total other expenses	<u>-</u>	<u>22,909</u>	<u>22,909</u>
Total	<u><u>\$ 15,841,663</u></u>	<u><u>\$ 2,248,595</u></u>	<u><u>\$ 18,090,258</u></u>

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 January 31, 2022 (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 2020 and 2019 totaled \$12,925 and \$20,290, 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.

EAST-WEST MANAGEMENT INSTITUTE, INC.
Notes to Financial Statements
For the Years Ended December 31, 2020 and 2019

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 10-year sublease that commenced on June 1, 2011, and has been extended through July 31, 2021. The leases in foreign locations have terms terminating on various dates through 2021.

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

<u>Year Ending December 31</u>	<u>Rental Payments</u>		
	<u>NYO Sublease</u>	<u>Foreign Locations</u>	<u>Total</u>
2021	\$ 90,000	\$ 136,899	\$ 226,899
	<u>\$ 90,000</u>	<u>\$ 136,899</u>	<u>\$ 226,899</u>

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

Rent expense for the years ended 2020 and 2019 was \$519,311 and \$546,887, 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, 2020 totaled \$335,863 (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 86% and 84% of its total revenue in 2020 and 2019, 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.

EAST-WEST MANAGEMENT INSTITUTE, INC.

Notes to Financial Statements

For the Years Ended December 31, 2020 and 2019

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:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 455,312	\$ 679,923
Contracts and grants receivable	1,689,621	1,441,818
Contributions receivable	<u>222,723</u>	<u>174,200</u>
	<u>\$ 2,367,656</u>	<u>\$ 2,295,941</u>

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 and cash equivalents 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, 2020 and 2019, amounts outstanding under the line of credit amounted to \$450,000 and \$540,000, respectively.

NOTE 13 PAYCHECK PROTECTION PROGRAM (PPP)

On May 4, 2020, the Institute received loan proceeds in the amount of \$226,179 under the Paycheck Protection Program (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. The Institute expects to meet the PPP's eligibility criteria for its loan obligation to be fully forgiven. Therefore, the Institute concluded that the PPP loan represented, in substance, a conditional contribution as of December 31, 2020. 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, 2020, the Institute had recognized the loan proceeds related to eligible expenses of \$226,179.

NOTE 14 SUBSEQUENT EVENTS

On March 17, 2021, the Institute received the second-round PPP loan proceeds in the amount of \$226,180.

On May 23, 2021, the Institute was notified that its PPP loan was fully forgiven by the U.S. Small Business Administration.

EAST-WEST MANAGEMENT INSTITUTE, INC.

Notes to Financial Statements

For the Years Ended December 31, 2020 and 2019

NOTE 14 **SUBSEQUENT EVENTS** *(continued)*

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 29, 2021, 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.

