

**INTERNATIONAL PEACE INSTITUTE, INC.**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2018 AND 2017**



## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of  
International Peace Institute, Inc.

We have audited the accompanying financial statements of International Peace Institute, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2018 and 2017, and the related statements of activities, functional expenses 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 accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of International Peace Institute, Inc. as of December 31, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Lotz + Carr, LLP*

New York, New York  
November 4, 2019

## INTERNATIONAL PEACE INSTITUTE, INC.

## STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2018 AND 2017

|  | <u>2018</u>         | <u>2017</u>         |
|--|---------------------|---------------------|
| <b>Assets</b>  |                     |                     |
| Cash and cash equivalents (Notes 1b and 11a)   | \$ 744,299          | \$ 4,793,592        |
| Unconditional promises to give (Notes 1c and 4)  |                     |                     |
| Without donor restrictions   | 5,271,541           | 1,493,986           |
| With donor restrictions  | 2,840,165           | 3,551,749           |
| Accounts and other receivables   | 28,559              | 15,761              |
| Prepaid expenses and other current assets  | 129,805             | 192,549             |
| Investments (Notes 1d and 5)   | 1,895,779           | 1,873,193           |
| Property and equipment, at cost, net of accumulated depreciation and amortization (Notes 1e and 7) | 427,933             | 633,835             |
| Security deposits  | <u>138,428</u>      | <u>138,428</u>      |
| <b>Total Assets</b>  | <u>\$11,476,509</u> | <u>\$12,693,093</u> |
| <b>Liabilities and Net Assets</b>  |                     |                     |
| Liabilities  |                     |                     |
| Accounts payable and accrued liabilities   | <u>\$ 515,457</u>   | <u>\$ 480,250</u>   |
| Commitments and Contingency (Note 9)   |                     |                     |
| Net Assets   |                     |                     |
| Without Donor Restrictions   | <u>7,152,563</u>    | <u>7,314,142</u>    |
| With Donor Restrictions  |                     |                     |
| Subject to time and purpose (Note 3a)  | 2,950,822           | 4,041,034           |
| Perpetual in nature (Notes 3b and 6)   | <u>857,667</u>      | <u>857,667</u>      |
| Total With Donor Restrictions  | <u>3,808,489</u>    | <u>4,898,701</u>    |
| Total Net Assets   | <u>10,961,052</u>   | <u>12,212,843</u>   |
| <b>Total Liabilities and Net Assets</b>  | <u>\$11,476,509</u> | <u>\$12,693,093</u> |

See notes to financial statements.

## INTERNATIONAL PEACE INSTITUTE, INC.

## STATEMENTS OF ACTIVITIES

YEARS ENDED DECEMBER 31, 2018 AND 2017

|  | <u>2018</u>                | <u>2017</u>                |
|--|----------------------------|----------------------------|
| <b>Changes in Net Assets Without Donor Restrictions</b>      |                            |                            |
| Revenue, Gains and Support                                   |                            |                            |
| Contributions (Note 11b)                                     | \$ 8,156,206               | \$ 7,968,065               |
| Donated services and materials (Note 10)                     | 67,782                     | 294,550                    |
| Investment income (Note 5)                                   | 23,726                     | 23,657                     |
| Gain on sale of apartment (Note 7)                           | -                          | 469,145                    |
| Loss on foreign currency exchange                            | (30,362)                   | (18,702)                   |
| Miscellaneous income   | 6,772                      | 20,495                     |
|  | <u>8,224,124</u>           | <u>8,757,210</u>           |
| Net assets released from restrictions                        |                            |                            |
| Satisfaction of time and program restrictions                | <u>1,281,274</u>           | <u>1,583,120</u>           |
|  |                            |                            |
| Total Revenue, Gains and Support                             | <u>9,505,398</u>           | <u>10,340,330</u>          |
| Expenses   |                            |                            |
| Program Services   | <u>8,030,179</u>           | <u>8,387,977</u>           |
| Supporting Services  |                            |                            |
| General and administrative                                   | 744,762                    | 632,337                    |
| Fundraising  | 892,036                    | 863,432                    |
| Total Supporting Services                                    | <u>1,636,798</u>           | <u>1,495,769</u>           |
|  |                            |                            |
| Total Expenses   | <u>9,666,977</u>           | <u>9,883,746</u>           |
|  |                            |                            |
| Increase (Decrease) in Net Assets Without Donor Restrictions | <u>(161,579)</u>           | <u>456,584</u>             |
| <b>Changes in Net Assets With Donor Restrictions</b>         |                            |                            |
| Contributions (Note 11b)                                     | 235,835                    | 261,368                    |
| Net assets released from restrictions                        | (1,281,274)                | (1,583,120)                |
| Write-off of prior year grant                                | (44,773)                   | -                          |
| Reduction for unexpended project funding                     | -                          | (24,686)                   |
|  | <u>(1,090,212)</u>         | <u>(1,346,438)</u>         |
|  |                            |                            |
| Decrease in Net Assets With Donor Restrictions               | <u>(1,090,212)</u>         | <u>(1,346,438)</u>         |
|  |                            |                            |
| Decrease in net assets                                       | (1,251,791)                | (889,854)                  |
| Net assets, beginning of year                                | <u>12,212,843</u>          | <u>13,102,697</u>          |
|  |                            |                            |
| <b>Net Assets, End of Year</b>                               | <u><u>\$10,961,052</u></u> | <u><u>\$12,212,843</u></u> |

See notes to financial statements.

## INTERNATIONAL PEACE INSTITUTE, INC.

## STATEMENTS OF FUNCTIONAL EXPENSES

YEARS ENDED DECEMBER 31, 2018 AND 2017

|   | 2018               |                            |                   |                    | 2017               |                            |                   |                   |                    |                    |
|---|--------------------|----------------------------|-------------------|--------------------|--------------------|----------------------------|-------------------|-------------------|--------------------|--------------------|
|   | Program Services   | Supporting Services        |                   | Total Expenses     | Program Services   | Supporting Services        |                   | Total Expenses    |                    |                    |
|   |                    | General and Administrative | Fundraising       | Total              |                    | General and Administrative | Fundraising       | Total             | Total Expenses     |                    |
| Salaries  | \$3,322,909        | \$ 348,248                 | \$ 419,033        | \$ 767,281         | \$4,090,190        | \$3,126,590                | \$ 310,170        | \$ 394,557        | \$ 704,727         | \$3,831,317        |
| Payroll taxes                                       | 229,432            | 33,563                     | 29,552            | 63,115             | 292,547            | 211,037                    | 28,280            | 27,204            | 55,484             | 266,521            |
| Employee benefits                                   | 771,247            | 78,692                     | 98,303            | 176,995            | 948,242            | 704,759                    | 43,025            | 88,679            | 131,704            | 836,463            |
| Insurance   | 28,072             | 2,845                      | 3,904             | 6,749              | 34,821             | 33,502                     | 2,988             | 4,411             | 7,399              | 40,901             |
| Office expense                                      | 268,013            | 28,857                     | 36,221            | 65,078             | 333,091            | 223,137                    | 25,578            | 25,885            | 51,463             | 274,600            |
| Rent  | 669,061            | 68,756                     | 67,468            | 136,224            | 805,285            | 661,816                    | 58,002            | 61,958            | 119,960            | 781,776            |
| Stationery and supplies                             | 116,093            | 10,296                     | 13,032            | 23,328             | 139,421            | 167,583                    | 15,344            | 18,753            | 34,097             | 201,680            |
| Printing and duplicating                            | 267,077            | 12,112                     | 20,885            | 32,997             | 300,074            | 237,382                    | 8,561             | 16,022            | 24,583             | 261,965            |
| Legal and audit fees                                | 67,759             | 8,744                      | 7,611             | 16,355             | 84,114             | 82,224                     | 9,242             | 10,440            | 19,682             | 101,906            |
| Travel, meals, lodging and events                   | 1,238,279          | 68,142                     | 117,327           | 185,469            | 1,423,748          | 1,455,673                  | 42,070            | 45,157            | 87,227             | 1,542,900          |
| Periodicals and subscriptions                       | 13,010             | 7,521                      | 1,759             | 9,280              | 22,290             | 21,358                     | 2,674             | 843               | 3,517              | 24,875             |
| Telephone and internet expenses                     | 118,306            | 13,236                     | 15,732            | 28,968             | 147,274            | 116,180                    | 10,554            | 14,214            | 24,768             | 140,948            |
| Donated services and materials (Note 10)            | 60,648             | 4,216                      | 2,918             | 7,134              | 67,782             | 294,550                    | -                 | -                 | -                  | 294,550            |
| Freight   | 3,216              | 338                        | 1,384             | 1,722              | 4,938              | 8,351                      | 701               | 1,342             | 2,043              | 10,394             |
| Honoraria/consulting/outside services               | 522,078            | 21,584                     | 25,271            | 46,855             | 568,933            | 605,667                    | 16,112            | 98,704            | 114,816            | 720,483            |
| Miscellaneous                                       | 87,758             | 7,971                      | 1,543             | 9,514              | 97,272             | 106,085                    | 20,886            | 14,267            | 35,153             | 141,238            |
| Total expenses before depreciation and amortization | 7,782,958          | 715,121                    | 861,943           | 1,577,064          | 9,360,022          | 8,055,894                  | 594,187           | 822,436           | 1,416,623          | 9,472,517          |
| Depreciation and amortization                       | 247,221            | 29,641                     | 30,093            | 59,734             | 306,955            | 332,083                    | 38,150            | 40,996            | 79,146             | 411,229            |
| Total Expenses                                      | <u>\$8,030,179</u> | <u>\$ 744,762</u>          | <u>\$ 892,036</u> | <u>\$1,636,798</u> | <u>\$9,666,977</u> | <u>\$8,387,977</u>         | <u>\$ 632,337</u> | <u>\$ 863,432</u> | <u>\$1,495,769</u> | <u>\$9,883,746</u> |

See notes to financial statements.

## INTERNATIONAL PEACE INSTITUTE, INC.

## STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2018 AND 2017

|   | <u>2018</u>        | <u>2017</u>        |
|---|--------------------|--------------------|
| <b>Cash Flows From Operating Activities</b>   |                    |                    |
| Decrease in net assets  | \$(1,251,791)      | \$ (889,854)       |
| Adjustments to reconcile decrease in net assets to net cash used by operating activities: |                    |                    |
| Bad debt expense  | 77,250             | 120,938            |
| Depreciation and amortization   | 306,955            | 411,229            |
| Realized gain on sale of apartment  | -                  | (469,145)          |
| Realized and unrealized loss on investments   | 348                | 6,027              |
| (Increase) decrease in:   |                    |                    |
| Unconditional promises to give  | (3,143,221)        | 471,631            |
| Accounts and other receivables  | (12,798)           | (7,548)            |
| Prepaid expenses and other current assets   | 62,744             | (65,963)           |
| Increase (decrease) in accounts payable and accrued liabilities                           | 35,207             | (100,997)          |
| Net Cash Used By Operating Activities   | <u>(3,925,306)</u> | <u>(523,682)</u>   |
| <b>Cash Flows From Investing Activities</b>   |                    |                    |
| Acquisition of property and equipment   | (101,053)          | (170,748)          |
| Purchase of investments   | (1,891,693)        | (1,095,000)        |
| Proceeds from sale of apartment   | -                  | 2,425,000          |
| Proceeds from sale of investments   | 1,868,759          | 1,068,380          |
| Net Cash Provided (Used) By Investing Activities  | <u>(123,987)</u>   | <u>2,227,632</u>   |
| Net increase (decrease) in cash and cash equivalents                                      | (4,049,293)        | 1,703,950          |
| Cash and cash equivalents, beginning of year  | <u>4,793,592</u>   | <u>3,089,642</u>   |
| <b>Cash and Cash Equivalents, End of Year</b>   | <u>\$ 744,299</u>  | <u>\$4,793,592</u> |

See notes to financial statements.

**INTERNATIONAL PEACE INSTITUTE, INC.****NOTES TO FINANCIAL STATEMENTS****DECEMBER 31, 2018 AND 2017****Note 1 - Organization and Summary of Significant Accounting Policies****a - Organization**

The International Peace Institute, Inc. (the "Organization") is an independent, international not-for-profit think tank dedicated to managing risk and building resilience to promote peace, security, and sustainable development. To achieve its purpose, the Organization employs a mix of policy research, strategic analysis, publishing, and convening.

**b - Cash and Cash Equivalents**

For purposes of the statement of cash flows, the Organization considers all highly liquid debt instruments, purchased with a maturity of three months or less, to be cash equivalents, except for cash managed by the Organization's investment managers as part of their long-term investment strategies.

**c - Unconditional Promises to Give and Contributions**

Contributions are recognized when the donor makes a promise to give to the Organization, that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

The Organization uses the allowance method to determine uncollectible promises to give. The allowance, if necessary, is based on prior years' experience and management's analysis of specific promises made.

**d - Investments**

The Organization reflects investments at fair value in the statement of financial position. Interest, dividends, gains and losses on investments are reflected in the statement of activities as increases and decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulations or by law. Investment income restricted by the donor is reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the income is recognized.

The value of the Organization's cash and cash equivalents and certificates of deposit are based on quoted market prices in active markets and are, therefore, classified within Level 1 of the fair value hierarchy.

The value of the Organization's corporate bonds and notes are based on quoted secondary market prices or alternative pricing sources supported by observable inputs and are, therefore, classified within Level 2 of the fair value hierarchy.



**INTERNATIONAL PEACE INSTITUTE, INC.****NOTES TO FINANCIAL STATEMENTS****DECEMBER 31, 2018 AND 2017****Note 1 - Organization and Summary of Significant Accounting Policies (continued)****d - Investments (continued)**

Fair value is defined as the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. Fair value is a market-based measurement, not an entity-based measurement. Generally accepted accounting principles establish a framework for measuring fair value which maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are those that market participants would use in pricing the asset based on market data obtained from sources independent of the Organization. Unobservable inputs reflect the Organization's assumptions about the inputs market participants would use in pricing the asset developed based on the best information available in the circumstances. Fair value measurements are categorized into three levels as follows:

- Level 1 Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities that the Organization has the ability to access at the measurement date.
- Level 2 Inputs other than quoted prices included in Level 1 that are observable for the asset or liability either directly or indirectly, including inputs in markets that are not considered to be active.
- Level 3 Inputs that are unobservable.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

**e - Property and Equipment**

Property and equipment are recorded at cost. Depreciation and amortization is provided on a straight-line basis over the estimated lives of the asset or term of the lease, whichever is shorter.

**f - Financial Statement Presentation**

The financial statements of the Organization have been prepared in accordance with U.S. generally accepted accounting principles, which require the Organization to report information regarding its financial position and activities according to the following net asset classifications:

**Net Assets Without Donor Restrictions**

Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and Board of Directors.

**INTERNATIONAL PEACE INSTITUTE, INC.****NOTES TO FINANCIAL STATEMENTS****DECEMBER 31, 2018 AND 2017****Note 1 - Organization and Summary of Significant Accounting Policies (continued)****f - Financial Statement Presentation (continued)****Net Assets With Donor Restrictions**

Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions may be temporary in nature; those restrictions will be met by actions of the Organization or the passage of time. Other donor restrictions may be perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

**g - Estimates**

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

**h - Functional Allocation of Expenses**

The financial statements report certain categories of expenses that are attributable to more than one program and supporting departments. Therefore, these expenses require allocations on a reasonable basis that is consistently applied. These allocations of expenses are calculated based on the Full-Time Equivalency (FTE).

The Organization's annual operating budgets are reviewed and revised on a quarterly basis. This is to ensure that all allocated expenses reflect accuracy throughout the year. The total FTE percentage of each program and department are used to allocate expenses, such as depreciation and amortization, office expenses, rent, stationery and supplies, printing and duplicating expenses, periodicals and subscriptions, telephone and internet, freight, and miscellaneous expenses.

**i - Subsequent Events**

The Organization has evaluated subsequent events through November 4, 2019, the date that the financial statements are considered available to be issued.

**j - Tax Status**

International Peace Institute, Inc. is a not-for-profit organization exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and has been designated as an organization which is not a private foundation.

**INTERNATIONAL PEACE INSTITUTE, INC.****NOTES TO FINANCIAL STATEMENTS****DECEMBER 31, 2018 AND 2017****Note 1 - Organization and Summary of Significant Accounting Policies (continued)****k - New Accounting Pronouncement**

In 2018, the Organization adopted Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958), Presentation of Financial Statements of Not-for-Profit Entities*. The ASU amends the current reporting model for nonprofit organizations and enhances their required disclosures. The major changes include: (a) requiring the presentation of only two classes of net assets now entitled “net assets without donor restrictions” and “net assets with donor restrictions”; (b) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources; (c) requiring that all nonprofits present an analysis of expenses by function and nature and disclose the methods used to allocate costs; (d) modifying the presentation of underwater endowment funds and related disclosures; and (e) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of nonprofit financial statements. As permitted under the ASU in the year of adoption, the Organization opted to not disclose liquidity and availability information for 2017.

**Note 2 - Information Regarding Liquidity and Availability**

The Organization operates with a balanced budget for each fiscal year based on the revenues expected to be available to fund anticipated expenses. A substantial portion of annual revenue is comprised of contribution revenue raised during the current year, and revenue from other sources earned during the year. The Organization considers general expenditures to consist of all expenses related to its ongoing program activities, and the expenses related to general and administrative and fundraising activities undertaken to support those services.

The Organization regularly monitors liquidity to meet its operating needs and other commitments and obligations, while seeking to maximize the investment of its available funds. Management prepares regular cash flow projections to determine liquidity needs, and has a policy to maintain liquid financial assets on an ongoing basis sufficient to cover 90 days of general expenditures. Financial assets in excess of daily cash requirements are invested in certificates of deposit, money market funds, and other short-term investments.

## INTERNATIONAL PEACE INSTITUTE, INC.

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

**Note 2 - Information Regarding Liquidity and Availability (continued)**

The Organization's financial assets as of December 31, 2018, and those available within one year to meet cash needs for general expenditures within one year are summarized as follows:

|   |                           |
|---|---------------------------|
| Financial assets at Year End:   |                           |
| Cash and cash equivalents   | \$ 744,299                |
| Unconditional promises to give  | 8,111,706                 |
| Accounts and other receivables  | 28,559                    |
| Investments   | <u>1,895,779</u>          |
| Total Financial Assets  | 10,780,343                |
| Less: Amounts not Available to be Used within One Year:   |                           |
| Net assets with donor restrictions, subject to expenditure for specific purposes or passage of time | (2,950,822)               |
| Plus: Net assets with restrictions to be met in less than a year                                    | 311,412                   |
| Net assets with donor restrictions for endowment, subject to spending policy and appropriation      | <u>(857,667)</u>          |
| Financial Assets Available to Meet General Expenditures within One Year                             | <u><u>\$7,283,266</u></u> |

The Organization also has a revolving line of credit with JPMorgan Chase, as more fully described in Note 8, available to meet short-term or unanticipated liquidity needs.

**Note 3 - Restrictions on Assets****a - Net Assets With Donor Restrictions - Subject to Time and Purpose Restriction**

Net assets restricted for time and purpose are available for future periods and program activities.

**b - Net Assets With Donor Restrictions - Perpetual in Nature**

Net assets of a perpetual nature represent amounts specified by donors to be maintained as an endowment with the earnings used for operating purposes.

## INTERNATIONAL PEACE INSTITUTE, INC.

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

**Note 4 - Unconditional Promises to Give**

Unconditional promises to give are due as follows:

|                                 | <u>2018</u>                       |                                      |                    | <u>2017</u>        |
|---------------------------------|-----------------------------------|--------------------------------------|--------------------|--------------------|
|                                 | <u>Without Donor Restrictions</u> | <u>Time and Purpose Restrictions</u> | <u>Total</u>       | <u>Total</u>       |
| Due in less than one year       | \$5,271,541                       | \$ 200,755                           | \$5,472,296        | \$2,406,325        |
| Due in one to five years        | -                                 | 2,900,000                            | 2,900,000          | 2,900,000          |
|                                 | 5,271,541                         | 3,100,755                            | 8,372,296          | 5,306,325          |
| Less: Discount to present value | -                                 | (260,590)                            | (260,590)          | (260,590)          |
| Total, 2018                     | <u>\$5,271,541</u>                | <u>\$2,840,165</u>                   | <u>\$8,111,706</u> |                    |
| Total, 2017                     | <u>\$1,493,986</u>                | <u>\$3,551,749</u>                   |                    | <u>\$5,045,735</u> |

Uncollectible promises are expected to be insignificant. Unconditional promises to give due after one year are discounted to present value using a discount rate of 3%.

**Note 5 - Investments**

Investments at December 31 consist of the following:

|                           | <u>2018</u>        |                    | <u>2017</u>        |                    |
|---------------------------|--------------------|--------------------|--------------------|--------------------|
|                           | <u>Cost</u>        | <u>Fair Value</u>  | <u>Cost</u>        | <u>Fair Value</u>  |
| Cash and cash equivalents | \$1,150,747        | \$1,150,747        | \$ 474,059         | \$ 474,059         |
| Corporate bonds and notes | -                  | -                  | 345,000            | 344,971            |
| Certificates of deposit   | 745,000            | 745,032            | 1,053,754          | 1,054,163          |
| Total                     | <u>\$1,895,747</u> | <u>\$1,895,779</u> | <u>\$1,872,813</u> | <u>\$1,873,193</u> |

## INTERNATIONAL PEACE INSTITUTE, INC.

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

**Note 5 - Investments (continued)**

The cash and cash equivalents and certificates of deposit are classified within Level 1, and the corporate bonds and notes are classified within Level 2 of the fair value hierarchy used to measure their respective fair values.

Investment income (loss) consisted of the following:

|   | <u>2018</u>     | <u>2017</u>     |
|---|-----------------|-----------------|
| Interest and dividends                      | \$24,074        | \$29,684        |
| Realized and unrealized loss on investments | <u>(348)</u>    | <u>(6,027)</u>  |
| Investment Income                           | <u>\$23,726</u> | <u>\$23,657</u> |

**Note 6 - Endowment Fund**

The Organization's endowment consists of one donor-restricted fund established for operating purposes. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Consistent with Minnesota General Law and the Uniform Prudent Management of Institutional Funds Act ("UPMIFA"), the Organization classifies as net assets for investment in perpetuity (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment and (c) accumulations to the permanent endowment made in accordance with the direction of any applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the endowment with donor restrictions that is not for investment in perpetuity is classified as endowment subject to spending policy and appropriation until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

As of December 31, 2018 and 2017, the Organization's endowment fund composition, by type of fund and net asset classification, are summarized as follows:

|  | <u>Without<br/>Donor<br/>Restrictions</u> | <u>Investment<br/>Income Above<br/>Original Gift<br/>Amount</u> | <u>Investment<br/>in Perpetuity</u> | <u>Total</u> |
|--|---|---|-------------------------------------|--------------|
| Donor-restricted endowment funds, 2018 | \$ -                                      | \$ -  | \$857,667                           | \$857,667    |
| Donor-restricted endowment funds, 2017 | \$ -                                      | \$ -  | \$857,667                           | \$857,667    |

## INTERNATIONAL PEACE INSTITUTE, INC.

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

**Note 6 - Endowment Fund (continued)**

Changes in the Organization's endowment fund for the years ended December 31, 2018 and 2017 are summarized as follows:

|  | <b>2018</b>                               |   |                                     | <b>Total</b>     |
|--|---|---|-------------------------------------|------------------|
|  | <b>Without<br/>Donor<br/>Restrictions</b> | <b>Investment<br/>Income Above<br/>Original Gift<br/>Amount</b> | <b>Investment<br/>in Perpetuity</b> |                  |
| Endowment fund, beginning of year                    | \$ -                                      | \$ -  | \$857,667                           | \$857,667        |
| Investment income                                    | 13,721                                    | -   | -                                   | 13,721           |
| Appropriation of endowment assets<br>for expenditure | <u>(13,721)</u>                           | <u>-</u>  | <u>-</u>                            | <u>(13,721)</u>  |
| Endowment Fund, End of Year                          | <u>\$ -</u>                               | <u>\$ -</u>   | <u>\$857,667</u>                    | <u>\$857,667</u> |
|  | <b>2017</b>                               |   |                                     |                  |
|  | <b>Without<br/>Donor<br/>Restrictions</b> | <b>Investment<br/>Income Above<br/>Original Gift<br/>Amount</b> | <b>Investment<br/>in Perpetuity</b> | <b>Total</b>     |
| Endowment fund, beginning of year                    | \$ -                                      | \$ -  | \$857,667                           | \$857,667        |
| Investment income                                    | 23,292                                    | -   | -                                   | 23,292           |
| Appropriation of endowment assets<br>for expenditure | <u>(23,292)</u>                           | <u>-</u>  | <u>-</u>                            | <u>(23,292)</u>  |
| Endowment Fund, End of Year                          | <u>\$ -</u>                               | <u>\$ -</u>   | <u>\$857,667</u>                    | <u>\$857,667</u> |

Investment of the endowment is governed by the Organization's investment policy for all invested funds. The primary objectives of this policy are the preservation of principal and purchasing power of financial assets and sufficient liquidity to meet anticipated and reasonable unanticipated operating needs. A secondary objective is the enhancement of purchasing power through investment returns, subject to prudent diversification of asset classes and individual investments, including no more than 50% of the portfolio invested in equities.

The endowment is maintained in a dedicated account and observes a spending policy, whereby, the endowment's earnings are transferred periodically, but at least annually, to the Organization's operating account for use as unrestricted funds to support general operations or otherwise as needed.

## INTERNATIONAL PEACE INSTITUTE, INC.

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

**Note 7 - Property and Equipment**

Property and equipment consist of the following:

|  | <u>Life</u>   | <u>2018</u>        | <u>2017</u>        |
|--|---------------|--------------------|--------------------|
| Leasehold improvements                             | Life of lease | \$ 6,752,540       | \$ 6,722,040       |
| Apartment  | 39 years      | -                  | -                  |
| Furniture and fixtures                             | 7 years       | 1,324,200          | 1,319,888          |
| Computers and equipment                            | 3-5 years     | 1,481,604          | 1,433,238          |
| Website  | 3 years       | 305,087            | 287,212            |
| Automobiles  | 5 years       | 63,356             | 63,356             |
| Leasing commissions                                | 5 years       | <u>26,099</u>      | <u>26,099</u>      |
|  |               | 9,952,886          | 9,851,833          |
| Less: Accumulated depreciation<br>and amortization |               | <u>(9,524,953)</u> | <u>(9,217,998)</u> |
|  |               | <u>\$ 427,933</u>  | <u>\$ 633,835</u>  |

On February 14, 2017, the Organization sold the apartment for \$2,425,000.

**Note 8 - Line of Credit**

The Organization has a revolving line of credit with JPMorgan Chase Bank that provides for borrowings up to \$500,000 through the maturity date of May 21, 2020. Borrowings on the line of credit bear interest at 5.10% plus the LIBOR rate. As of December 31, 2018 and 2017, the Organization had no borrowings outstanding.

**Note 9 - Commitments and Contingency**

a - The Organization occupies office and meeting space under leases that expire April 30, 2021 and provide for rent to be a portion of the estimated building costs for the year. The monthly rent for 2019 under these leases has been set at \$58,923.

The Organization entered into a lease for additional office space in Vienna that provides for monthly rent and operating costs of \$8,792 and expires in June 30, 2025.



**INTERNATIONAL PEACE INSTITUTE, INC.****NOTES TO FINANCIAL STATEMENTS****DECEMBER 31, 2018 AND 2017****Note 9 - Commitments and Contingency (continued)**

a - (continued)

The Organization entered into a lease for additional office space in Vienna that provides for monthly rent and operating costs of \$3,566 and extends for an indefinite term.

The Organization entered into a lease for additional office space in Bahrain that provides for monthly rent and operating costs of \$12,263 and expires October 31, 2022.

b - The Organization sponsors a tax-deferred annuity program, whereby, the Organization contributes a percentage of an eligible employee's salary, not to exceed statutory amounts. During 2018 and 2017, the contributions under this plan were \$275,370 and \$306,379, respectively.

c - Government supported projects are subject to audit by the granting agency.

**Note 10 - Donated Services and Materials**

During 2018 and 2017, the Organization received donated professional services and services in connection with seminars and workshops, including personnel costs, the use of conference facilities, participants' accommodations, reception costs, transportation and legal fees. The aggregate value of these services was determined to be \$67,782 (2018) and \$294,550 (2017) and is included in the statement of activities.

**Note 11 - Concentrations**

a - The Organization maintains its cash balances in financial institutions located in New York, New York. The cash balances, at times, exceeded federally insured limits. The Organization also maintains bank accounts in Vienna and Bahrain. There is no loss insurance on these accounts.

b - During the year ended December 31, 2018, the Organization received 48% of its total contributions from two foreign governments. During the year ended December 31, 2017, the Organization received 49% of its total contributions from one foreign government and one individual.