

INTERNATIONAL PEACE INSTITUTE, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018



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, 2019 and 2018, 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, 2019 and 2018, 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.

Emphasis of Matter

As discussed in Note 12 to the financial statements, in March 2020, the United States declared the global pandemic novel coronavirus COVID-19 outbreak a national emergency. As a result, International Peace Institute, Inc. has suspended some of its program activities at the direction of state and local governmental authorities. Our opinion is not modified with respect to this matter.

Lutz + Carr, LLP

New York, New York
September 23, 2020

INTERNATIONAL PEACE INSTITUTE, INC.

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
Assets		
Cash and cash equivalents (Notes 1b and 11a)	\$ 2,347,315	\$ 744,299
Unconditional promises to give (Notes 1c and 4)		
Without donor restrictions	221,047	5,271,541
With donor restrictions	7,258,329	2,840,165
Accounts and other receivables	164,354	28,559
Prepaid expenses and other current assets	119,532	129,805
Investments (Notes 1d and 5)	911,878	1,895,779
Property and equipment, at cost, net of accumulated depreciation and amortization (Notes 1e and 7)	206,038	427,933
Security deposits	<u>138,428</u>	<u>138,428</u>
Total Assets	<u><u>\$11,366,921</u></u>	<u><u>\$11,476,509</u></u>
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued liabilities (Note 9c)	<u>\$ 1,158,942</u>	<u>\$ 515,457</u>
Commitments and Contingencies (Notes 9 and 12)		
Net Assets		
Without Donor Restrictions	<u>1,475,257</u>	<u>7,152,563</u>
With Donor Restrictions		
Subject to time and purpose (Note 3a)	7,875,055	2,950,822
Perpetual in nature (Notes 3b and 6)	<u>857,667</u>	<u>857,667</u>
Total With Donor Restrictions	<u>8,732,722</u>	<u>3,808,489</u>
Total Net Assets	<u>10,207,979</u>	<u>10,961,052</u>
Total Liabilities and Net Assets	<u><u>\$11,366,921</u></u>	<u><u>\$11,476,509</u></u>

See notes to financial statements.

INTERNATIONAL PEACE INSTITUTE, INC.

STATEMENTS OF ACTIVITIES

YEARS ENDED DECEMBER 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
Changes in Net Assets Without Donor Restrictions		
Revenue, Gains and Support		
Contributions (Note 11b)	\$ 4,108,989	\$ 8,156,206
Donated services and materials (Note 10)	35,358	67,782
Investment income (Note 5)	17,076	23,726
Loss on foreign currency exchange	(59,525)	(30,362)
Miscellaneous income	62,632	6,772
	<u>4,164,530</u>	<u>8,224,124</u>
Net assets released from restrictions		
Satisfaction of time and program restrictions	272,111	1,281,274
	<u>272,111</u>	<u>1,281,274</u>
Total Revenue, Gains and Support	<u>4,436,641</u>	<u>9,505,398</u>
Expenses		
Program Services	8,513,853	8,030,179
Supporting Services		
General and administrative	665,364	744,762
Fundraising	934,730	892,036
Total Supporting Services	<u>1,600,094</u>	<u>1,636,798</u>
Total Expenses	<u>10,113,947</u>	<u>9,666,977</u>
Decrease in Net Assets Without Donor Restrictions	<u>(5,677,306)</u>	<u>(161,579)</u>
Changes in Net Assets With Donor Restrictions		
Contributions (Note 11b)	5,235,645	235,835
Net assets released from restrictions	(272,111)	(1,281,274)
Write-off of prior year grant	(10,000)	(44,773)
Reduction for unexpended project funding	(29,301)	-
	<u>4,924,233</u>	<u>(1,090,212)</u>
Increase (Decrease) in Net Assets With Donor Restrictions	<u>4,924,233</u>	<u>(1,090,212)</u>
Decrease in net assets	(753,073)	(1,251,791)
Net assets, beginning of year	<u>10,961,052</u>	<u>12,212,843</u>
Net Assets, End of Year	<u><u>\$10,207,979</u></u>	<u><u>\$10,961,052</u></u>

See notes to financial statements.

INTERNATIONAL PEACE INSTITUTE, INC.

STATEMENTS OF FUNCTIONAL EXPENSES

YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019				2018					
	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	\$3,236,810	\$ 325,445	\$ 443,195	\$ 768,640	\$4,005,450	\$3,322,909	\$ 348,248	\$ 419,033	\$ 767,281	\$4,090,190
Payroll taxes	221,001	22,548	29,169	51,717	272,718	229,432	33,563	29,552	63,115	292,547
Employee benefits	816,000	78,784	112,957	191,741	1,007,741	771,247	78,692	98,303	176,995	948,242
Insurance	31,633	3,173	4,918	8,091	39,724	28,072	2,845	3,904	6,749	34,821
Office expense	392,999	37,175	56,128	93,303	486,302	268,013	28,857	36,221	65,078	333,091
Rent	832,314	71,745	102,802	174,547	1,006,861	669,061	68,756	67,468	136,224	805,285
Stationery and supplies	86,347	8,142	11,641	19,783	106,130	116,093	10,296	13,032	23,328	139,421
Printing and duplicating	282,708	15,107	26,171	41,278	323,986	267,077	12,112	20,885	32,997	300,074
Legal and audit fees	71,223	6,244	9,734	15,978	87,201	67,759	8,744	7,611	16,355	84,114
Travel, meals, lodging and events	958,781	30,516	59,620	90,136	1,048,917	1,238,279	68,142	117,327	185,469	1,423,748
Periodicals and subscriptions	17,224	969	2,252	3,221	20,445	13,010	7,521	1,759	9,280	22,290
Telephone and internet expenses	132,473	14,393	19,108	33,501	165,974	118,306	13,236	15,732	28,968	147,274
Donated services and materials (Note 10)	35,358	-	-	-	35,358	60,648	4,216	2,918	7,134	67,782
Freight	1,376	281	453	734	2,110	3,216	338	1,384	1,722	4,938
Honoraria/consulting/outside services	666,255	14,875	21,792	36,667	702,922	522,078	21,584	25,271	46,855	568,933
Future program partnership expense (Note 9c)	525,000	-	-	-	525,000	-	-	-	-	-
Miscellaneous	2,076	12,373	1,683	14,056	16,132	87,758	7,971	1,543	9,514	97,272
Total expenses before depreciation, amortization and interest expense	8,309,578	641,770	901,623	1,543,393	9,852,971	7,782,958	715,121	861,943	1,577,064	9,360,022
Depreciation and amortization	191,892	22,218	31,151	53,369	245,261	247,221	29,641	30,093	59,734	306,955
Interest expense	12,383	1,376	1,956	3,332	15,715	-	-	-	-	-
Total Expenses	\$8,513,853	\$ 665,364	\$ 934,730	\$1,600,094	\$10,113,947	\$8,030,179	\$ 744,762	\$ 892,036	\$1,636,798	\$9,666,977

See notes to financial statements.

INTERNATIONAL PEACE INSTITUTE, INC.

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
Cash Flows From Operating Activities		
Decrease in net assets	\$ (753,073)	\$(1,251,791)
Adjustments to reconcile decrease in net assets to net cash provided (used) by operating activities:		
Bad debt expense	-	77,250
Depreciation and amortization	245,261	306,955
Realized and unrealized (gain) loss on investments	(3,892)	348
(Increase) decrease in:		
Unconditional promises to give	632,330	(3,143,221)
Accounts and other receivables	(135,795)	(12,798)
Prepaid expenses and other current assets	10,273	62,744
Increase in accounts payable and accrued liabilities	643,485	35,207
Net Cash Provided (Used) By Operating Activities	<u>638,589</u>	<u>(3,925,306)</u>
Cash Flows From Investing Activities		
Acquisition of property and equipment	(23,366)	(101,053)
Purchase of investments	(1,374,305)	(1,891,693)
Proceeds from sale of investments	<u>2,362,098</u>	<u>1,868,759</u>
Net Cash Provided (Used) By Investing Activities	<u>964,427</u>	<u>(123,987)</u>
Cash Flows From Financing Activities		
Proceeds from loans payable	500,000	-
Repayment of loans payable	<u>(500,000)</u>	<u>-</u>
Net Cash Provided (Used) By Financing Activities	<u>-</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	1,603,016	(4,049,293)
Cash and cash equivalents, beginning of year	<u>744,299</u>	<u>4,793,592</u>
Cash and Cash Equivalents, End of Year	<u>\$ 2,347,315</u>	<u>\$ 744,299</u>
Supplemental Disclosure		
Interest paid	<u>\$ 15,715</u>	<u>\$ -</u>

See notes to financial statements.

INTERNATIONAL PEACE INSTITUTE, INC.**NOTES TO FINANCIAL STATEMENTS****DECEMBER 31, 2019 AND 2018****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

The Organization recognizes contributions when cash, securities, or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier and a right of return, are not recognized until the conditions on which they depend have been met. Consequently, at December 31, 2019, contributions approximating \$455,000 have not been recognized in the accompanying statement of activities because the conditions on which they depend have not yet been met

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.

INTERNATIONAL PEACE INSTITUTE, INC.**NOTES TO FINANCIAL STATEMENTS****DECEMBER 31, 2019 AND 2018****Note 1 - Organization and Summary of Significant Accounting Policies (continued)****d - Investments (continued)**

The value of the Organization's cash and cash equivalents, U.S. Treasury securities 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.

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:

INTERNATIONAL PEACE INSTITUTE, INC.**NOTES TO FINANCIAL STATEMENTS****DECEMBER 31, 2019 AND 2018****Note 1 - Organization and Summary of Significant Accounting Policies (continued)****f - Financial Statement Presentation (continued)**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.

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 September 23, 2020, 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, 2019 AND 2018****Note 1 - Organization and Summary of Significant Accounting Policies (continued)****k - New Accounting Pronouncements**

For 2019, the Organization has adopted Accounting Standards Update (ASU) No 2014-09, *Revenue from Contracts with Customers (Topic 606)*, and ASU 2018-08, *Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 605)*. Analysis of the various provisions of these standards resulted in no significant changes in the way the Organization recognizes revenue, and therefore no changes to the previously issued audited financial statements were required on a retrospective basis.

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, 2019 AND 2018

Note 2 - Information Regarding Liquidity and Availability (continued)

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

	<u>2019</u>	<u>2018</u>
Financial assets at Year End:		
Cash and cash equivalents	\$ 2,347,315	\$ 744,299
Unconditional promises to give	7,479,376	8,111,706
Accounts and other receivables	164,354	28,559
Investments	<u>911,878</u>	<u>1,895,779</u>
Total Financial Assets	10,902,923	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	(7,875,055)	(2,950,822)
Plus: Net assets with restrictions to be met in less than a year	5,051,295	311,412
Net assets with donor restrictions for endowment, subject to spending policy and appropriation	<u>(857,667)</u>	<u>(857,667)</u>
Financial Assets Available to Meet General Expenditures within One Year	<u>\$ 7,221,496</u>	<u>\$ 7,283,266</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, 2019 AND 2018

Note 4 - Unconditional Promises to Give

Unconditional promises to give are due as follows:

	<u>2019</u>			<u>2018</u>
	<u>Without Donor Restrictions</u>	<u>Time and Purpose Restrictions</u>	<u>Total</u>	<u>Total</u>
Due in less than one year	\$ 221,047	\$4,634,676	\$4,855,723	\$5,472,296
Due in one to five years	-	2,850,875	2,850,875	2,900,000
	221,047	7,485,551	7,706,598	8,372,296
Less: Discount to present value	-	(227,222)	(227,222)	(260,590)
Total, 2019	<u>\$ 221,047</u>	<u>\$7,258,329</u>	<u>\$7,479,376</u>	
Total, 2018	<u>\$5,271,541</u>	<u>\$2,840,165</u>		<u>\$8,111,706</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, which are all classified as Level 1 in the fair value hierarchy, consist of the following at December 31:

	<u>2019</u>		<u>2018</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Cash and cash equivalents	\$ 371	\$ 371	\$1,150,747	\$1,150,747
U.S. Treasury securities	435,583	439,501	-	-
Certificates of deposit	472,000	472,006	745,000	745,032
Total	<u>\$907,954</u>	<u>\$911,878</u>	<u>\$1,895,747</u>	<u>\$1,895,779</u>

INTERNATIONAL PEACE INSTITUTE, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

Note 5 - Investments (continued)

Investment income consisted of the following:

	<u>2019</u>	<u>2018</u>
Interest and dividends	\$13,184	\$24,074
Realized and unrealized gain (loss) on investments	<u>3,892</u>	<u>(348)</u>
Investment Income	<u>\$17,076</u>	<u>\$23,726</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, 2019 and 2018, the Organization's endowment fund composition, by type of fund and net asset classification, are summarized as follows:

	<u>Without Donor Restrictions</u>	<u>Investment Income Above Original Gift Amount</u>	<u>Investment in Perpetuity</u>	<u>Total</u>
Donor-restricted endowment funds, 2019	<u>\$ -</u>	<u>\$ -</u>	<u>\$857,667</u>	<u>\$857,667</u>
Donor-restricted endowment funds, 2018	<u>\$ -</u>	<u>\$ -</u>	<u>\$857,667</u>	<u>\$857,667</u>

INTERNATIONAL PEACE INSTITUTE, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

Note 6 - Endowment Fund (continued)

Changes in the Organization's endowment fund for the years ended December 31, 2019 and 2018 are summarized as follows:

	2019			
	Without Donor Restrictions	Investment Income Above Original Gift Amount	Investment in Perpetuity	Total
Endowment fund, beginning of year	\$ -	\$ -	\$857,667	\$857,667
Investment income	11,115	-	-	11,115
Appropriation of endowment assets for expenditure	<u>(11,115)</u>	<u>-</u>	<u>-</u>	<u>(11,115)</u>
Endowment Fund, End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$857,667</u>	<u>\$857,667</u>
	2018			
	Without Donor Restrictions	Investment Income Above Original Gift Amount	Investment in Perpetuity	Total
Endowment fund, beginning of year	\$ -	\$ -	\$857,667	\$857,667
Investment income	13,721	-	-	13,721
Appropriation of endowment assets 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>

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, 2019 AND 2018

Note 7 - Property and Equipment

Property and equipment consist of the following:

	<u>Life</u>	<u>2019</u>	<u>2018</u>
Leasehold improvements	Life of lease	\$ 6,752,540	\$ 6,752,540
Furniture and fixtures	7 years	1,324,200	1,324,200
Computers and equipment	3-5 years	1,504,970	1,481,604
Website	3 years	305,087	305,087
Automobiles	5 years	63,356	63,356
Leasing commissions	5 years	<u>26,099</u>	<u>26,099</u>
		9,976,252	9,952,886
Less: Accumulated depreciation and amortization		<u>(9,770,214)</u>	<u>(9,524,953)</u>
		<u>\$ 206,038</u>	<u>\$ 427,933</u>

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 August 21, 2020. Borrowings on the line of credit bear interest at 5.10% plus the LIBOR rate. As of December 31, 2019 and 2018, 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 2020 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.

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.

INTERNATIONAL PEACE INSTITUTE, INC.**NOTES TO FINANCIAL STATEMENTS****DECEMBER 31, 2019 AND 2018****Note 9 - Commitments and Contingency (continued)**

a - (continued)

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 2019 and 2018, the contributions under this plan were \$342,380 and \$275,370, respectively.

c - Pursuant to a public statement by the Organization on Gratitude of America, LTD, and a decision by the Board of Directors on December 4, 2019, the Organization resolved to donate \$525,000 to programs that support victims of human trafficking and sexual assault as a demonstration of its continued support for international peace, sustainable development, and human dignity. As a result, this amount has been included in accounts payable and accrued liabilities and in future program partnership expense in the accompanying financial statements as of December 31, 2019.

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

Note 10 - Donated Services and Materials

During 2019 and 2018, the Organization received donated professional services and services in connection with seminars and workshops, including the use of conference facilities, participants' accommodations, reception costs and transportation. The aggregate value of these services was determined to be \$35,358 (2019) and \$67,782 (2018) 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.

INTERNATIONAL PEACE INSTITUTE, INC.**NOTES TO FINANCIAL STATEMENTS****DECEMBER 31, 2019 AND 2018****Note 11 - Concentrations (continued)**

b - During the year ended December 31, 2019, the Organization received 57% of its total contributions from two foreign governments. During the year ended December 31, 2018, the Organization received 48% of its total contributions from two different foreign governments.

Note 12 - Subsequent Event

In March 2020, the United States declared the global pandemic novel coronavirus COVID-19 outbreak a national emergency. As a result, the Organization has suspended some of its program activities at the direction of state and local governmental authorities. Management is currently evaluating the potential impact that the resulting economic uncertainties will have on the Organization's operations.