

INTERNATIONAL PEACE INSTITUTE, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2021 AND 2020



LUTZ AND CARR

CERTIFIED PUBLIC ACCOUNTANTS, LLP

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INDEPENDENT AUDITORS' REPORT

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

Opinion

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, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of International Peace Institute, Inc. as of December 31, 2021 and 2020, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of International Peace Institute, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about International Peace Institute, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of International Peace Institute, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about International Peace Institute, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Lutz + Carr, LLP

New York, New York
October 20, 2022

INTERNATIONAL PEACE INSTITUTE, INC.

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
Assets		
Cash and cash equivalents (Notes 1b and 11a)	\$ 2,866,380	\$ 993,618
Unconditional promises to give (Notes 1c and 4)		
Without donor restrictions	161,984	262,152
With donor restrictions	6,163,525	6,403,621
Accounts and other receivables	10,655	17,509
Prepaid expenses and other current assets	77,100	66,843
Investments (Notes 1d and 5)	914,523	914,585
Property and equipment, at cost, net of accumulated depreciation and amortization (Notes 1e and 7)	15,790	88,921
Security deposits	<u>101,954</u>	<u>138,428</u>
Total Assets	<u><u>\$10,311,911</u></u>	<u><u>\$8,885,677</u></u>
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued liabilities (Note 10c)	\$ 869,997	\$1,192,380
Loans payable (Note 8)	577,606	656,027
Loans payable - Paycheck Protection Program (Note 9)	<u>609,415</u>	<u>686,255</u>
Total Liabilities	<u>2,057,018</u>	<u>2,534,662</u>
Commitments and Contingency (Note 10)		
Net Assets (Deficit), as Restated (Note 13)		
Without Donor Restrictions	<u>(287,329)</u>	<u>(1,146,561)</u>
With Donor Restrictions		
Subject to time and purpose (Note 3a)	7,684,555	6,639,909
Perpetual in nature (Notes 3b and 6)	<u>857,667</u>	<u>857,667</u>
Total With Donor Restrictions	<u>8,542,222</u>	<u>7,497,576</u>
Total Net Assets	<u>8,254,893</u>	<u>6,351,015</u>
Total Liabilities and Net Assets	<u><u>\$10,311,911</u></u>	<u><u>\$8,885,677</u></u>

See notes to financial statements.

INTERNATIONAL PEACE INSTITUTE, INC.

STATEMENTS OF ACTIVITIES

YEARS ENDED DECEMBER 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
Changes in Net Assets Without Donor Restrictions		
Revenue, Gains and Support		
Contributions (Note 11b)	\$4,929,843	\$ 2,958,749
Investment income (Note 5)	324	3,307
Gain (loss) on foreign currency exchange	(11,827)	2,065
Miscellaneous income	147,902	13,043
	<u>5,066,242</u>	<u>2,977,164</u>
Net assets released from restrictions		
Satisfaction of time and program restrictions	<u>1,754,457</u>	<u>2,172,725</u>
Total Revenue, Gains and Support	<u>6,820,699</u>	<u>5,149,889</u>
Expenses		
Program Services	<u>4,841,081</u>	<u>6,047,242</u>
Supporting Services		
General and administrative	592,274	659,454
Fundraising	528,112	905,011
Total Supporting Services	<u>1,120,386</u>	<u>1,564,465</u>
Total Expenses	<u>5,961,467</u>	<u>7,611,707</u>
Increase (Decrease) in Net Assets Without Donor Restrictions	<u>859,232</u>	<u>(2,461,818)</u>
Changes in Net Assets With Donor Restrictions		
Contributions (Note 11b)	5,699,103	948,740
Net assets released from restrictions	(1,754,457)	(2,172,725)
Write-off of prior year grant (Note 4)	(2,900,000)	(11,161)
Increase (Decrease) in Net Assets With Donor Restrictions	<u>1,044,646</u>	<u>(1,235,146)</u>
Increase (decrease) in net assets	<u>1,903,878</u>	<u>(3,696,964)</u>
Net assets, beginning of year, as previously reported	6,511,015	10,207,979
Prior period adjustment (Note 13)	<u>(160,000)</u>	<u>(160,000)</u>
Net assets, beginning of year, as restated	<u>6,351,015</u>	<u>10,047,979</u>
Net Assets, End of Year	<u><u>\$8,254,893</u></u>	<u><u>\$ 6,351,015</u></u>

See notes to financial statements.

INTERNATIONAL PEACE INSTITUTE, INC.
 STATEMENTS OF FUNCTIONAL EXPENSES
 YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021					2020				
	Supporting Services				Total Expenses	Supporting Services				Total Expenses
	Program Services	General and Administrative	Fundraising	Total		Program Services	General and Administrative	Fundraising	Total	
Salaries	\$2,176,016	\$ 185,574	\$ 266,172	\$ 451,746	\$2,627,762	\$2,861,482	\$ 328,152	\$ 454,988	\$ 783,140	\$3,644,622
Payroll taxes	156,178	16,886	19,561	36,447	192,625	187,138	22,575	30,089	52,664	239,802
Employee benefits	504,949	35,061	63,209	98,270	603,219	713,415	76,688	115,719	192,407	905,822
Insurance	22,628	6,744	3,305	10,049	32,677	28,318	3,130	4,639	7,769	36,087
Office expense	381,467	102,008	54,351	156,359	537,826	426,833	42,407	63,571	105,978	532,811
Rent	552,672	130,645	62,612	193,257	745,929	770,935	95,344	119,818	215,162	986,097
Stationery and supplies	48,641	14,042	6,948	20,990	69,631	37,551	3,757	5,016	8,773	46,324
Printing and duplicating	86,367	12,561	6,552	19,113	105,480	58,430	2,558	4,350	6,908	65,338
Legal and audit fees	54,116	17,656	8,537	26,193	80,309	95,924	13,131	17,272	30,403	126,327
Travel, meals, lodging and events	76,919	3,592	4,109	7,701	84,620	159,416	18,305	21,456	39,761	199,177
Periodicals and subscriptions	7,994	1,113	4,938	6,051	14,045	14,080	582	1,914	2,496	16,576
Telephone and internet expenses	123,247	35,182	19,075	54,257	177,504	137,413	19,116	23,223	42,339	179,752
Freight	295	107	157	264	559	1,171	297	130	427	1,598
Honoraria/consulting/outside services	592,139	7,311	2,793	10,104	602,243	426,303	14,722	21,369	36,091	462,394
Miscellaneous	22,522	5,130	582	5,712	28,234	27,043	1,206	1,131	2,337	29,380
Total expenses before depreciation, amortization and interest expense	4,806,150	573,612	522,901	1,096,513	5,902,663	5,945,452	641,970	884,685	1,526,655	7,472,107
Depreciation and amortization	20,621	14,735	3,162	17,897	38,518	83,573	16,742	19,302	36,044	119,617
Interest expense	14,310	3,927	2,049	5,976	20,286	18,217	742	1,024	1,766	19,983
Total Expenses	<u>\$4,841,081</u>	<u>\$ 592,274</u>	<u>\$ 528,112</u>	<u>\$1,120,386</u>	<u>\$5,961,467</u>	<u>\$6,047,242</u>	<u>\$ 659,454</u>	<u>\$ 905,011</u>	<u>\$1,564,465</u>	<u>\$7,611,707</u>

See notes to financial statements.

INTERNATIONAL PEACE INSTITUTE, INC.

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
Cash Flows From Operating Activities		
Increase (decrease) in net assets	\$1,903,878	\$(3,696,964)
Adjustments to reconcile increase (decrease) in net assets to net cash provided (used) by operating activities:		
Forgiveness of loan payable - Paycheck Protection Program	(686,255)	-
Bad debt expense	18,525	-
Write-off of prior year grant	2,900,000	11,161
Depreciation and amortization	38,518	119,617
Loss on disposal of property and equipment	34,613	-
Realized and unrealized loss on investments	147	3,924
(Increase) decrease in:		
Unconditional promises to give	(2,578,261)	813,603
Accounts and other receivables	6,854	135,684
Prepaid expenses and other current assets	(10,257)	52,689
Security deposits	36,474	-
Increase (decrease) in accounts payable and accrued liabilities	<u>(322,383)</u>	<u>33,438</u>
Net Cash Provided (Used) By Operating Activities	<u>1,341,853</u>	<u>(2,526,848)</u>
Cash Flows From Investing Activities		
Acquisition of property and equipment	-	(2,500)
Purchase of investments	(913,999)	(914,215)
Proceeds from sale of investments	<u>913,914</u>	<u>907,584</u>
Net Cash Used By Investing Activities	<u>(85)</u>	<u>(9,131)</u>
Cash Flows From Financing Activities		
Proceeds from loans payable	500,000	500,000
Repayment of loans payable	(578,421)	(3,973)
Proceeds from loan payable - Paycheck Protection Program	<u>609,415</u>	<u>686,255</u>
Net Cash Provided By Financing Activities	<u>530,994</u>	<u>1,182,282</u>
Net increase (decrease) in cash and cash equivalents	1,872,762	(1,353,697)
Cash and cash equivalents, beginning of year	<u>993,618</u>	<u>2,347,315</u>
Cash and Cash Equivalents, End of Year	<u>\$2,866,380</u>	<u>\$ 993,618</u>
Supplemental Disclosure		
Interest paid	<u>\$ 20,286</u>	<u>\$ 19,983</u>

See notes to financial statements.

INTERNATIONAL PEACE INSTITUTE, INC.**NOTES TO FINANCIAL STATEMENTS****DECEMBER 31, 2021 AND 2020****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.

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, 2021 AND 2020****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.

INTERNATIONAL PEACE INSTITUTE, INC.**NOTES TO FINANCIAL STATEMENTS****DECEMBER 31, 2021 AND 2020****Note 1 - Organization and Summary of Significant Accounting Policies (continued)****f - Financial Statement Presentation**

The financial statements of the Organization have been prepared in accordance with accounting principles generally accepted in the United States of America, 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.

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 October 20, 2022, the date that the financial statements are considered available to be issued.

INTERNATIONAL PEACE INSTITUTE, INC.**NOTES TO FINANCIAL STATEMENTS****DECEMBER 31, 2021 AND 2020****Note 1 - Organization and Summary of Significant Accounting Policies (continued)****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.

k - Prior Year Information

For comparability, certain 2020 amounts have been reclassified, where appropriate, to conform to the financial statement presentation used in 2021.

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, 2021 AND 2020

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>2021</u>	<u>2020</u>
Financial assets at Year End:		
Cash and cash equivalents	\$ 2,866,380	\$ 993,618
Unconditional promises to give	6,325,509	6,665,773
Accounts and other receivables	10,655	17,509
Investments	<u>914,523</u>	<u>914,585</u>
Total Financial Assets	10,117,067	8,591,485
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	(7,684,555)	(6,639,909)
Plus: Net assets with restrictions to be met in less than a year	4,271,359	5,265,403
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>\$ 5,846,204</u>	<u>\$6,359,312</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, 2021 AND 2020

Note 4 - Unconditional Promises to Give

Unconditional promises to give are due as follows:

	2021		2020	
	Without Donor Restrictions	Time and Purpose Restrictions	Total	Total
Due in less than one year	\$161,984	\$3,221,802	\$3,383,786	\$4,963,806
Due in one to five years	-	3,150,000	3,150,000	1,827,461
	161,984	6,371,802	6,533,786	6,791,267
Less: Discount to present value	-	(208,277)	(208,277)	(125,494)
Total, 2021	<u>\$161,984</u>	<u>\$6,163,525</u>	<u>\$6,325,509</u>	
Total, 2020	<u>\$262,152</u>	<u>\$6,403,621</u>		<u>\$6,665,773</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%.

During the year ended December 31, 2021, a prior year pledge from a foreign government totaling \$2.9 million that was deemed uncollectible was written off.

Note 5 - Investments

Investments, which are all classified as Level 1 in the fair value hierarchy, consist of the following at December 31:

	2021		2020	
	Cost	Fair Value	Cost	Fair Value
Cash and cash equivalents	\$ 671	\$ 671	\$914,585	\$914,585
Certificates of deposit	913,999	913,852	-	-
Total	<u>\$914,670</u>	<u>\$914,523</u>	<u>\$914,585</u>	<u>\$914,585</u>

INTERNATIONAL PEACE INSTITUTE, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2021 AND 2020

Note 5 - Investments (continued)

Investment income consisted of the following:

	<u>2021</u>	<u>2020</u>
Interest and dividends	\$471	\$7,231
Realized and unrealized loss on investments	<u>(147)</u>	<u>(3,924)</u>
Investment Income	<u>\$324</u>	<u>\$3,307</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, 2021 and 2020, 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, 2021	<u>\$ -</u>	<u>\$ -</u>	<u>\$857,667</u>	<u>\$857,667</u>
Donor-restricted endowment funds, 2020	<u>\$ -</u>	<u>\$ -</u>	<u>\$857,667</u>	<u>\$857,667</u>

INTERNATIONAL PEACE INSTITUTE, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2021 AND 2020

Note 6 - Endowment Fund (continued)

Changes in the Organization's endowment fund for the years ended December 31, 2021 and 2020 are summarized as follows:

	2021			
	Without Donor Restrictions	Investment Income Above Original Gift Amount	Investment in Perpetuity	Total
Endowment fund, beginning of year	\$ -	\$ -	\$857,667	\$857,667
Investment income	82	-	-	82
Appropriation of endowment assets for expenditure	<u>(82)</u>	<u>-</u>	<u>-</u>	<u>(82)</u>
Endowment Fund, End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$857,667</u>	<u>\$857,667</u>
	2020			
	Without Donor Restrictions	Investment Income Above Original Gift Amount	Investment in Perpetuity	Total
Endowment fund, beginning of year	\$ -	\$ -	\$857,667	\$857,667
Investment income	6,141	-	-	6,141
Appropriation of endowment assets for expenditure	<u>(6,141)</u>	<u>-</u>	<u>-</u>	<u>(6,141)</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, 2021 AND 2020

Note 7 - Property and Equipment

Property and equipment consist of the following:

	<u>Life</u>	<u>2021</u>	<u>2020</u>
Leasehold improvements	Life of lease	\$ 6,752,540	\$ 6,752,540
Furniture and fixtures	7 years	973,631	1,326,700
Computers and equipment	3-5 years	1,504,970	1,504,970
Automobiles	5 years	<u>45,338</u>	<u>45,338</u>
		9,276,479	9,629,548
Less: Accumulated depreciation and amortization		<u>(9,260,689)</u>	<u>(9,540,627)</u>
		<u>\$ 15,790</u>	<u>\$ 88,921</u>

During the year ended December 31, 2021, the Organization disposed of assets totaling \$353,069 and recognized a loss on disposal of \$34,613.

Note 8 - Loans Payable

- a - 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 January 7, 2023. Borrowings on the line of credit bear interest at 4.90% plus the SOFR rate. As of December 31, 2021 and 2020, the Organization had outstanding borrowings of \$497,606 and \$496,027, respectively.
- b - In 2019, the Organization entered into a loan with a foreign asset management company totaling \$160,000. The loan bears no interest and is due on demand. As of December 31, 2021 and 2020, the Organization had outstanding borrowings of \$80,000 and \$160,000, respectively.

Note 9 - Loans Payable - Paycheck Protection Program

In April 2020, the Organization received a loan totaling \$686,255 under the Paycheck Protection Program administered by the U.S. Small Business Administration. In May 2021, the full amount of this loan was forgiven, and accordingly recognized as revenue.

INTERNATIONAL PEACE INSTITUTE, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2021 AND 2020

Note 9 - Loans Payable - Paycheck Protection Program (continued)

In April 2021, the Organization received a second loan totaling \$609,415 under the Paycheck Protection Program administered by the U.S. Small Business Administration. The loan bears interest at 1% per annum, is due in April 2026, and may be forgiven if the Organization meets certain employee retention requirements and the funds are used for eligible expenses. In May 2022, the full amount of this loan was forgiven and, accordingly, will be recognized as revenue in the year ending December 31, 2022.

Note 10 - Commitments and Contingency

a - The Organization occupies office and meeting space under leases that expire April 30, 2024 and provide future minimum lease payments as follows:

<u>Year Ending December 31,</u>	
2022	\$475,632
2023	483,304
Thereafter, through April 30, 2024	161,101

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 2021 and 2020, the contributions under this plan were \$56,272 and \$260,082, 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 was accrued as future program partnership expense for the year ended December 31, 2019 and is included in accounts payable and accrued liabilities as of December 31, 2021 and 2022.

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

INTERNATIONAL PEACE INSTITUTE, INC.**NOTES TO FINANCIAL STATEMENTS****DECEMBER 31, 2021 AND 2020****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 a bank account in Bahrain. There is no loss insurance on this account.
- b - During the year ended December 31, 2021, the Organization received 59% of its total contributions from two foreign governments and one foundation. During the year ended December 31, 2020, the Organization received 51% of its total contributions from two different foreign governments.

Note 12 - Related Party Transaction

The law firm in which a trustee of the Organization is a partner provided legal services for the years ended December 31, 2021 and 2020.

Note 13 - Prior Period Adjustment

Net assets without donor restrictions as of January 1, 2021 and 2020 were restated to reflect a loan payable (Note 8b) in the amount of \$160,000 that had previously been reflected as a contribution.