

**INTERNATIONAL PEACE INSTITUTE, INC.**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2022 AND 2021**



**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, 2022 and 2021, 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, 2022 and 2021, 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.

*Lotz + Carr, LLP*

New York, New York  
June 14, 2023

## INTERNATIONAL PEACE INSTITUTE, INC.

## STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
<b>Assets</b>		
Cash and cash equivalents (Notes 1b and 13a)	\$3,112,467	\$ 2,866,380
Unconditional promises to give (Notes 1c and 4)		
Without donor restrictions	59,407	161,984
With donor restrictions	4,518,684	6,163,525
Accounts and other receivables	10,943	10,655
Prepaid expenses and other current assets	56,592	77,100
Investments (Notes 1d and 5)	918,756	914,523
Property and equipment, at cost, net of accumulated depreciation and amortization (Notes 1e and 7)	10,099	15,790
Operating lease right-of-use asset (Note 1f)	635,298	-
Security deposits	101,954	101,954
	<u>                    </u>	<u>                    </u>
<b>Total Assets</b>	<u><u>\$9,424,200</u></u>	<u><u>\$10,311,911</u></u>
<b>Liabilities and Net Assets</b>		
Liabilities		
Accounts payable and accrued liabilities (Note 11c)	\$ 848,248	\$ 869,997
Operating lease liability (Notes 1f and 8)	639,681	-
Loans payable (Note 9)	-	577,606
Loan payable - Paycheck Protection Program (Note 10)	-	609,415
Total Liabilities	<u>1,487,929</u>	<u>2,057,018</u>
Commitments and Contingency (Note 11)		
Net Assets (Deficit)		
Without Donor Restrictions	<u>442,555</u>	<u>(287,329)</u>
With Donor Restrictions		
Subject to time and purpose (Note 3a)	6,636,049	7,684,555
Perpetual in nature (Notes 3b and 6)	<u>857,667</u>	<u>857,667</u>
Total With Donor Restrictions	<u>7,493,716</u>	<u>8,542,222</u>
Total Net Assets	<u>7,936,271</u>	<u>8,254,893</u>
	<u>                    </u>	<u>                    </u>
<b>Total Liabilities and Net Assets</b>	<u><u>\$9,424,200</u></u>	<u><u>\$10,311,911</u></u>

See notes to financial statements.

## INTERNATIONAL PEACE INSTITUTE, INC.

## STATEMENTS OF ACTIVITIES

YEARS ENDED DECEMBER 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
<b>Changes in Net Assets Without Donor Restrictions</b>		
Revenue, Gains and Support		
Contributions (Notes 10 and 13b)	\$3,503,703	\$4,929,843
Donated services (Note 12)	7,007	-
Investment income (Note 5)	4,543	324
Loss on foreign currency exchange	(57,556)	(11,827)
Reduction for unexpended project funding	(22,867)	-
Miscellaneous income	14,540	147,902
	<u>3,449,370</u>	<u>5,066,242</u>
Net assets released from restrictions		
Satisfaction of time and program restrictions	<u>4,181,882</u>	<u>1,754,457</u>
Total Revenue, Gains and Support	<u>7,631,252</u>	<u>6,820,699</u>
Expenses		
Program Services	<u>5,873,539</u>	<u>4,841,081</u>
Supporting Services		
General and administrative	489,532	592,274
Fundraising	538,297	528,112
Total Supporting Services	<u>1,027,829</u>	<u>1,120,386</u>
Total Expenses	<u>6,901,368</u>	<u>5,961,467</u>
Increase in Net Assets Without Donor Restrictions	<u>729,884</u>	<u>859,232</u>
<b>Changes in Net Assets With Donor Restrictions</b>		
Contributions (Note 13b)	3,229,383	5,699,103
Net assets released from restrictions	(4,181,882)	(1,754,457)
Write-off of prior year grant	(79,660)	(2,900,000)
Reduction for unexpended project funding	<u>(16,347)</u>	<u>-</u>
Increase (Decrease) in Net Assets With Donor Restrictions	<u>(1,048,506)</u>	<u>1,044,646</u>
Increase (decrease) in net assets	(318,622)	1,903,878
Net assets, beginning of year	<u>8,254,893</u>	<u>6,351,015</u>
<b>Net Assets, End of Year</b>	<u><u>\$7,936,271</u></u>	<u><u>\$8,254,893</u></u>

See notes to financial statements.

INTERNATIONAL PEACE INSTITUTE, INC.  
 STATEMENTS OF FUNCTIONAL EXPENSES  
 YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022				2021					
	Program Services	Supporting Services			Total Expenses	Program Services	Supporting Services			Total Expenses
General and Administrative		Fundraising	Total	General and Administrative			Fundraising	Total		
Salaries	\$2,620,744	\$ 237,437	\$ 278,104	\$ 515,541	\$3,136,285	\$2,176,016	\$ 185,574	\$ 266,172	\$ 451,746	\$2,627,762
Payroll taxes	187,140	16,049	19,623	35,672	222,812	156,178	16,886	19,561	36,447	192,625
Employee benefits	530,257	43,573	55,685	99,258	629,515	504,949	35,061	63,209	98,270	603,219
Insurance	32,293	2,695	4,481	7,176	39,469	22,628	6,744	3,305	10,049	32,677
Office expense	542,161	45,558	65,384	110,942	653,103	381,467	102,008	54,351	156,359	537,826
Occupancy	546,037	47,305	43,712	91,017	637,054	552,672	130,645	62,612	193,257	745,929
Stationery and supplies	88,012	10,351	10,984	21,335	109,347	48,641	14,042	6,948	20,990	69,631
Printing and duplicating	148,212	6,961	11,975	18,936	167,148	86,367	12,561	6,552	19,113	105,480
Legal and audit fees	52,828	6,272	8,385	14,657	67,485	54,116	17,656	8,537	26,193	80,309
Travel, meals, lodging and events	496,678	8,713	9,299	18,012	514,690	76,919	3,592	4,109	7,701	84,620
Periodicals and subscriptions	8,905	653	4,997	5,650	14,555	7,994	1,113	4,938	6,051	14,045
Telephone and internet expenses	131,963	15,501	19,793	35,294	167,257	123,247	35,182	19,075	54,257	177,504
Donated services and materials (Note 12)	7,007	-	-	-	7,007	-	-	-	-	-
Freight	907	139	65	204	1,111	295	107	157	264	559
Honoraria/consulting/outside services	461,075	3,050	3,684	6,734	467,809	592,139	7,311	2,793	10,104	602,243
Miscellaneous	8,014	44,373	601	44,974	52,988	22,522	5,130	582	5,712	28,234
Total expenses before depreciation, amortization and interest expense	5,862,233	488,630	536,772	1,025,402	6,887,635	4,806,150	573,612	522,901	1,096,513	5,902,663
Depreciation and amortization	5,740	454	781	1,235	6,975	20,621	14,735	3,162	17,897	38,518
Interest expense	5,566	448	744	1,192	6,758	14,310	3,927	2,049	5,976	20,286
Total Expenses	<u>\$5,873,539</u>	<u>\$ 489,532</u>	<u>\$ 538,297</u>	<u>\$1,027,829</u>	<u>\$6,901,368</u>	<u>\$4,841,081</u>	<u>\$ 592,274</u>	<u>\$ 528,112</u>	<u>\$1,120,386</u>	<u>\$5,961,467</u>

See notes to financial statements.

## INTERNATIONAL PEACE INSTITUTE, INC.

## STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
<b>Cash Flows From Operating Activities</b>		
Increase (decrease) in net assets	\$ (318,622)	\$1,903,878
Adjustments to reconcile increase (decrease) in net assets to to net cash provided by operating activities:		
Non-cash operating lease expense	470,705	-
Forgiveness of loan payable - Paycheck Protection Program	(609,415)	(686,255)
Bad debt expense	40,930	18,525
Write-off of prior year grant	79,660	2,900,000
Depreciation and amortization	6,975	38,518
Loss on disposal of property and equipment	-	34,613
Unrealized loss on investments	148	147
(Increase) decrease in:		
Unconditional promises to give	1,626,828	(2,578,261)
Accounts and other receivables	(288)	6,854
Prepaid expenses and other current assets	20,508	(10,257)
Security deposits	-	36,474
Decrease in:		
Accounts payable and accrued liabilities	(21,749)	(322,383)
Operating lease liability	(466,322)	-
Net Cash Provided By Operating Activities	<u>829,358</u>	<u>1,341,853</u>
<b>Cash Flows From Investing Activities</b>		
Acquisition of property and equipment	(1,284)	-
Purchase of investments	(970,381)	(913,999)
Proceeds from sale of investments	966,000	913,914
Net Cash Used By Investing Activities	<u>(5,665)</u>	<u>(85)</u>
<b>Cash Flows From Financing Activities</b>		
Proceeds from loans payable	-	500,000
Repayment of loans payable	(577,606)	(578,421)
Proceeds from loan payable - Paycheck Protection Program	-	609,415
Net Cash Provided (Used) By Financing Activities	<u>(577,606)</u>	<u>530,994</u>
Net increase in cash and cash equivalents	246,087	1,872,762
Cash and cash equivalents, beginning of year	<u>2,866,380</u>	<u>993,618</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u><u>\$3,112,467</u></u>	<u><u>\$2,866,380</u></u>
<b>Supplemental Disclosure</b>		
Interest paid	<u>\$ 6,758</u>	<u>\$ 20,286</u>
Operating lease right-of-use asset obtained in exchange for lease liability	<u>\$ 1,106,003</u>	<u>\$ -</u>

See notes to financial statements.

**INTERNATIONAL PEACE INSTITUTE, INC.****NOTES TO FINANCIAL STATEMENTS****DECEMBER 31, 2022 AND 2021****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.

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.



**INTERNATIONAL PEACE INSTITUTE, INC.****NOTES TO FINANCIAL STATEMENTS****DECEMBER 31, 2022 AND 2021****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 - Operating Lease Right-of-Use Asset and Operating Lease Liability**

For leases with an initial term greater than twelve months, the Organization's operating lease liability is initially recorded at the present value of the unpaid lease payments as of January 1, 2022. The Organization's operating lease right-of-use asset is initially recorded at the carrying amount of the lease liability adjusted for initial direct costs, accruals, prepayments and lease incentives, if any. Operating lease cost is recognized on a straight-line basis over the lease term.

**INTERNATIONAL PEACE INSTITUTE, INC.****NOTES TO FINANCIAL STATEMENTS****DECEMBER 31, 2022 AND 2021****Note 1 - Organization and Summary of Significant Accounting Policies (continued)****g - 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.

**h - 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.

**i - 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.

**j - Subsequent Events**

The Organization has evaluated subsequent events through June 14, 2023, the date that the financial statements are considered available to be issued.

## INTERNATIONAL PEACE INSTITUTE, INC.

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

**Note 1 - Organization and Summary of Significant Accounting Policies (continued)****k - New Accounting Standards**

For 2022, the Organization adopted Financial Accounting Standards Board (FASB) Accounting Standard Update (ASU) 2020-07, *Presentation and Disclosures by Not-for Entities for Contributed Nonfinancial Assets*, which requires nonprofit entities to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash or other financial assets. The standard also increases the disclosure requirements around contributed nonfinancial assets, including disaggregating by category the types of contributed nonfinancial assets a nonprofit entity has received. Adoption of this standard did not have a significant impact on the financial statements, with the exception of increased disclosure.

During 2022, the Organization also adopted ASU 2016-02, *Leases ("Topic 842")*. The core principles of ASU 2016-02 (the "ASU") change the way organizations account for their leases by recognizing lease assets and related liabilities on the statement of financial position for all leases with terms longer than twelve months and disclosing key information about leasing arrangements. As such, results for 2022 are presented under Topic 842, while results for 2021 continue to be reported in accordance with historical accounting practices. The adoption of Topic 842 did not have a significant impact on the Organization's net assets as of January 1, 2022.

As part of the adoption of the ASU, the Organization elected to apply the modified retrospective transition approach as of the date of initial application without restating comparative period financial statements, to use a risk-free rate, equal to the three-year Treasury Bill rate for the discount of the operating lease and to apply the practical expedients which allows the Organization to not reassess (i) whether any expired or existing contracts are leases or contain leases (ii) the lease classification for any expired or existing leases (iii) initial direct costs for any existing leases.

**l - 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.

**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.

## INTERNATIONAL PEACE INSTITUTE, INC.

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

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

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.

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>2022</u>	<u>2021</u>
Financial assets at Year End:		
Cash and cash equivalents	\$ 3,112,467	\$ 2,866,380
Unconditional promises to give	4,578,091	6,325,509
Accounts and other receivables	10,943	10,655
Investments	<u>918,756</u>	<u>914,523</u>
Total Financial Assets	8,620,257	10,117,067
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	(6,636,049)	(7,684,555)
Plus: Net assets with restrictions to be met in less than a year	5,364,917	4,271,359
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>\$ 6,491,458</u>	<u>\$ 5,846,204</u>

The Organization also has a revolving line of credit with JPMorgan Chase, as more fully described in Note 9a, 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.

## INTERNATIONAL PEACE INSTITUTE, INC.

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

**Note 3 - Restrictions on Assets (continued)**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.

**Note 4 - Unconditional Promises to Give**

Unconditional promises to give are due as follows:

	2022			2021
	Without Donor Restrictions	Time and Purpose Restrictions	Total	Total
Due in less than one year	\$ 59,407	\$3,576,088	\$3,635,495	\$3,383,786
Due in one to five years	-	1,000,000	1,000,000	3,150,000
	59,407	4,576,088	4,635,495	6,533,786
Less: Discount to present value	-	(57,404)	(57,404)	(208,277)
Total, 2022	\$ 59,407	\$4,518,684	\$4,578,091	
Total, 2021	\$161,984	\$6,163,525		\$6,325,509

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:

	2022		2021	
	Cost	Fair Value	Cost	Fair Value
Cash and cash equivalents	\$ 2,052	\$ 2,052	\$ 671	\$ 671
Certificates of deposit	916,999	916,704	913,999	913,852
Total	\$919,051	\$918,756	\$914,670	\$914,523

## INTERNATIONAL PEACE INSTITUTE, INC.

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

**Note 5 - Investments (continued)**

Investment income consisted of the following:

	<u>2022</u>	<u>2021</u>
Interest and dividends	\$4,691	\$ 471
Unrealized loss on investments	<u>(148)</u>	<u>(147)</u>
Investment Income	<u>\$4,543</u>	<u>\$ 324</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, 2022 and 2021, 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, 2022	<u>\$ -</u>	<u>\$ -</u>	<u>\$857,667</u>	<u>\$857,667</u>
Donor-restricted endowment funds, 2021	<u>\$ -</u>	<u>\$ -</u>	<u>\$857,667</u>	<u>\$857,667</u>

## INTERNATIONAL PEACE INSTITUTE, INC.

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

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

Changes in the Organization's endowment fund for the years ended December 31, 2022 and 2021 are summarized as follows:

	<b>2022</b>			
	<b>Without Donor Restrictions</b>	<b>Investment Income Above Original Gift Amount</b>	<b>Investment in Perpetuity</b>	<b>Total</b>
Endowment fund, beginning of year	\$ -	\$ -	\$857,667	\$857,667
Investment income	4,058	-	-	4,058
Appropriation of endowment assets for expenditure	<u>(4,058)</u>	<u>-</u>	<u>-</u>	<u>(4,058)</u>
Endowment Fund, End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$857,667</u>	<u>\$857,667</u>
	<b>2021</b>			
	<b>Without Donor Restrictions</b>	<b>Investment Income Above Original Gift Amount</b>	<b>Investment in Perpetuity</b>	<b>Total</b>
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>

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, 2022 AND 2021

**Note 7 - Property and Equipment**

Property and equipment consist of the following:

	<u>Life</u>	<u>2022</u>	<u>2021</u>
Leasehold improvements	Life of lease	\$ 6,752,540	\$ 6,752,540
Furniture and fixtures	7 years	974,915	973,631
Computers and equipment	3-5 years	1,504,970	1,504,970
Automobiles	5 years	<u>45,338</u>	<u>45,338</u>
		9,277,763	9,276,479
Less: Accumulated depreciation and amortization		<u>(9,267,664)</u>	<u>(9,260,689)</u>
		<u>\$ 10,099</u>	<u>\$ 15,790</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 - Operating Lease Liability**

The Organization occupies office space under operating lease agreements expiring April 2024.

Operating lease costs for the year ended December 31, 2022 totaled \$480,015. There were no variable lease costs incurred. As of December 31, 2022, the remaining term of the Organization's operating leases is sixteen months, and the discount rate is 1.04%.

Maturities of the Organization's operating lease liability as of December 31, 2022 are as follows:

Year ending December 31, 2023	\$483,303
Thereafter, through April 30, 2024	<u>161,101</u>
	644,404
Less: Amount attributable to interest	<u>(4,723)</u>
	<u>\$639,681</u>



**INTERNATIONAL PEACE INSTITUTE, INC.****NOTES TO FINANCIAL STATEMENTS****DECEMBER 31, 2022 AND 2021****Note 9 - 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 December 16, 2023. Borrowings on the line of credit bear interest at 3.82% plus the SOFR rate. There were no outstanding borrowings as of December 31, 2022. As of December 31, 2021, the Organization had outstanding borrowings of \$497,606.
- 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. The loan was repaid in May 2022. As of December 31, 2021 the Organization had outstanding borrowings of \$80,000.

**Note 10 - 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 during the year ended December 31, 2021.

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. In May 2022, the full amount of this loan was forgiven and, accordingly recognized as revenue during the year ended December 31, 2022.

**Note 11 - Commitments and Contingency**

- a - The Organization entered into a lease for additional office space in Bahrain that provides for monthly rent and operating costs of \$13,087 and expires October 31, 2023.
- 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 2022 and 2021, the contributions under this plan were \$64,654 and \$56,272, respectively.

**INTERNATIONAL PEACE INSTITUTE, INC.****NOTES TO FINANCIAL STATEMENTS****DECEMBER 31, 2022 AND 2021****Note 11 - Commitments and Contingency (continued)**

- 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.

**Note 12 - Donated Services**

During 2022, the Organization received donated professional services in connection with one of its programs. The aggregate value of these services was determined to be \$7,007 and is included in the statement of activities.

**Note 13 - 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, 2022, the Organization received 30% of its total contributions from one foundation. During the year ended December 31, 2021, the Organization received 59% of its total contributions from two foreign governments and one foundation.