# INTERNATIONAL PEACE INSTITUTE, INC.

# FINANCIAL STATEMENTS

# DECEMBER 31, 2023 AND 2022

LUTZ AND CARR
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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, 2023 and 2022, 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, 2023 and 2022, 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
July 1, 2024

# INTERNATIONAL PEACE INSTITUTE, INC.

## STATEMENTS OF FINANCIAL POSITION

## DECEMBER 31, 2023 AND 2022

| | 2023 | 2022 |
|---|---|---|
| **Assets** | | |
| Cash and cash equivalents (Notes 1b and 13a) | $ 906,326 | $3,112,467 |
| Unconditional promises to give (Notes 1c and 4) | | |
| Without donor restrictions | 1,234,662 | 59,407 |
| With donor restrictions | 3,340,962 | 4,518,684 |
| Prepaid expenses and other current assets | 99,834 | 67,535 |
| Investments (Notes 1d and 5) | 940,150 | 918,756 |
| Property and equipment, at cost, net of accumulated depreciation and amortization (Notes 1e and 7) | 121,773 | 10,099 |
| Operating lease right-of-use asset (Note 1f) | 159,657 | 635,298 |
| Security deposits | 101,954 | 101,954 |
| **Total Assets** | $6,905,318 | $9,424,200 |
| **Liabilities and Net Assets** | | |
| Liabilities | | |
| Accounts payable and accrued liabilities (Note 11c) | $ 915,093 | $ 848,248 |
| Operating lease liability (Notes 1f and 8) | 160,753 | 639,681 |
| Loan payable (Note 9) | 500,000 | - |
| Total Liabilities | 1,575,846 | 1,487,929 |
| Commitments and Contingencies (Note 11) | | |
| Net Assets (Deficit) | | |
| Without Donor Restrictions | 243,368 | 442,555 |
| With Donor Restrictions | | |
| Subject to time and purpose (Note 3a) | 4,228,437 | 6,636,049 |
| Perpetual in nature (Notes 3b and 6) | 857,667 | 857,667 |
| Total With Donor Restrictions | 5,086,104 | 7,493,716 |
| Total Net Assets | 5,329,472 | 7,936,271 |
| **Total Liabilities and Net Assets** | $6,905,318 | $9,424,200 |

**See notes to financial statements.**

# INTERNATIONAL PEACE INSTITUTE, INC.

## STATEMENTS OF ACTIVITIES

## YEARS ENDED DECEMBER 31, 2023 AND 2022

| | 2023 | 2022 |
|---|---|---|
| **Changes in Net Assets Without Donor Restrictions** | | |
| Revenue, Gains and Support | | |
| Contributions (Notes 10 and 13b) | $2,066,728 | $3,503,703 |
| Donated services (Note 12) | 14,763 | 7,007 |
| Investment income (Note 5) | 41,893 | 4,543 |
| Gain (loss) on foreign currency exchange | 26,667 | (57,556) |
| Reduction for unexpended project funding | (221) | (22,867) |
| Miscellaneous income | 10,733 | 14,540 |
| | 2,160,563 | 3,449,370 |
| Net assets released from restrictions | | |
| Satisfaction of time and program restrictions | 5,265,679 | 4,181,882 |
| Total Revenue, Gains and Support | 7,426,242 | 7,631,252 |
| Expenses | | |
| Program Services | 6,554,499 | 5,873,539 |
| Supporting Services | | |
| General and administrative | 495,875 | 489,532 |
| Fundraising | 575,055 | 538,297 |
| Total Supporting Services | 1,070,930 | 1,027,829 |
| Total Expenses | 7,625,429 | 6,901,368 |
| Increase (Decrease) in Net Assets Without Donor Restrictions | (199,187) | 729,884 |
| **Changes in Net Assets With Donor Restrictions** | | |
| Contributions (Note 13b) | 2,890,624 | 3,229,383 |
| Net assets released from restrictions | (5,265,679) | (4,181,882) |
| Write-off of prior year grant | (32,557) | (79,660) |
| Reduction for unexpended project funding | - | (16,347) |
| Decrease in Net Assets With Donor Restrictions | (2,407,612) | (1,048,506) |
| Decrease in net assets | (2,606,799) | (318,622) |
| Net assets, beginning of year | 7,936,271 | 8,254,893 |
| **Net Assets, End of Year** | $5,329,472 | $7,936,271 |

**See notes to financial statements.**

## INTERNATIONAL PEACE INSTITUTE, INC.

## STATEMENTS OF FUNCTIONAL EXPENSES

## YEARS ENDED DECEMBER 31, 2023 AND 2022

| | 2023 | | | | | 2022 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | Supporting Services | | | | | Supporting Services | | | |
| | Program Services | General and Administrative | Fundraising | Total | Total Expenses | Program Services | General and Administrative | Fundraising | Total | Total Expenses |
| Salaries | $3,031,054 | $ 267,102 | $ 337,620 | $ 604,722 | $3,635,776 | $2,620,744 | $ 237,437 | $ 278,104 | $ 515,541 | $3,136,285 |
| Payroll taxes | 220,921 | 18,249 | 24,659 | 42,908 | 263,829 | 187,140 | 16,049 | 19,623 | 35,672 | 222,812 |
| Employee benefits | 630,145 | 48,595 | 70,582 | 119,177 | 749,322 | 530,257 | 43,573 | 55,685 | 99,258 | 629,515 |
| Insurance | 31,991 | 2,968 | 3,113 | 6,081 | 38,072 | 32,293 | 2,695 | 4,481 | 7,176 | 39,469 |
| Office expense | 509,211 | 48,322 | 49,511 | 97,833 | 607,044 | 542,161 | 45,558 | 65,384 | 110,942 | 653,103 |
| Occupancy | 548,867 | 48,540 | 39,544 | 88,084 | 636,951 | 546,037 | 47,305 | 43,712 | 91,017 | 637,054 |
| Stationery and supplies | 35,416 | 6,511 | 3,355 | 9,866 | 45,282 | 88,012 | 10,351 | 10,984 | 21,335 | 109,347 |
| Printing and duplicating | 115,958 | 7,965 | 8,883 | 16,848 | 132,806 | 148,212 | 6,961 | 11,975 | 18,936 | 167,148 |
| Legal and audit fees | 60,918 | 7,206 | 6,426 | 13,632 | 74,550 | 52,828 | 6,272 | 8,385 | 14,657 | 67,485 |
| Travel, meals, lodging and events | 588,804 | 9,781 | 10,336 | 20,117 | 608,921 | 496,678 | 8,713 | 9,299 | 18,012 | 514,690 |
| Periodicals and subscriptions | 18,665 | 1,779 | 5,865 | 7,644 | 26,309 | 8,905 | 653 | 4,997 | 5,650 | 14,555 |
| Telephone and internet expenses | 114,095 | 13,754 | 11,933 | 25,687 | 139,782 | 131,963 | 15,501 | 19,793 | 35,294 | 167,257 |
| Donated services and materials (Note 12) | 14,763 | - | - | - | 14,763 | 7,007 | - | - | - | 7,007 |
| Freight | 68 | 249 | 6 | 255 | 323 | 907 | 139 | 65 | 204 | 1,111 |
| Honoraria/consulting/outside services | 609,420 | 4,372 | 2,066 | 6,438 | 615,858 | 461,075 | 3,050 | 3,684 | 6,734 | 467,809 |
| Miscellaneous | 5,806 | 9,821 | 421 | 10,242 | 16,048 | 8,014 | 44,373 | 601 | 44,974 | 52,988 |
| Total expenses before depreciation, amortization and interest expense | 6,536,102 | 495,214 | 574,320 | 1,069,534 | 7,605,636 | 5,862,233 | 488,630 | 536,772 | 1,025,402 | 6,887,635 |
| Depreciation and amortization | 14,858 | 367 | 378 | 745 | 15,603 | 5,740 | 454 | 781 | 1,235 | 6,975 |
| Interest expense | 3,539 | 294 | 357 | 651 | 4,190 | 5,566 | 448 | 744 | 1,192 | 6,758 |
| Total Expenses | $6,554,499 | $ 495,875 | $ 575,055 | $1,070,930 | $7,625,429 | $5,873,539 | $ 489,532 | $ 538,297 | $1,027,829 | $6,901,368 |

**See notes to financial statements.**

**INTERNATIONAL PEACE INSTITUTE, INC.**

**STATEMENTS OF CASH FLOWS**

**YEARS ENDED DECEMBER 31, 2023 AND 2022**

| | 2023 | 2022 |
|---|---|---|
| **Cash Flows From Operating Activities** | | |
| Decrease in net assets | $(2,606,799) | $ (318,622) |
| Adjustments to reconcile decrease in net assets to net cash provided (used) by operating activities: | | |
| Reduction in carrying amount of operating lease right-of-use asset | 475,641 | 470,705 |
| Forgiveness of loan payable - Paycheck Protection Program | - | (609,415) |
| Bad debt expense | 203 | 40,930 |
| Write-off of prior year grant | 32,557 | 79,660 |
| Depreciation and amortization | 15,603 | 6,975 |
| Unrealized (gain) loss on investments | (38) | 148 |
| (Increase) decrease in: | | |
| Unconditional promises to give | (30,293) | 1,626,828 |
| Prepaid expenses and other current assets | (32,299) | 20,220 |
| Increase (decrease) in: | | |
| Accounts payable and accrued liabilities | 66,845 | (21,749) |
| Operating lease liability | (478,928) | (466,322) |
| Net Cash Provided (Used) By Operating Activities | (2,557,508) | 829,358 |
| **Cash Flows From Investing Activities** | | |
| Acquisition of property and equipment | (127,277) | (1,284) |
| Purchase of investments | (996,356) | (970,381) |
| Proceeds from sale of investments | 975,000 | 966,000 |
| Net Cash Used By Investing Activities | (148,633) | (5,665) |
| **Cash Flows From Financing Activities** | | |
| Proceeds from loans payable | 500,000 | - |
| Repayment of loans payable | - | (577,606) |
| Net Cash Provided (Used) By Financing Activities | 500,000 | (577,606) |
| Net increase (decrease) in cash and cash equivalents | (2,206,141) | 246,087 |
| Cash and cash equivalents, beginning of year | 3,112,467 | 2,866,380 |
| **Cash and Cash Equivalents, End of Year** | $ 906,326 | $ 3,112,467 |

| | 2023 | 2022 |
|---|---|---|
| **Supplemental Disclosure** | | |
| Interest paid | $ 4,190 | $ 6,758 |
| Operating lease right-of-use asset obtained in exchange for lease liability | $ - | $ 1,106,003 |

**See notes to financial statements.**

**INTERNATIONAL PEACE INSTITUTE, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2023 AND 2022**

## Note 1 - Organization and Summary of Significant Accounting Policies

a - Organization

The International Peace Institute, Inc. (the "Organization") is an independent, non-profit organization working to strengthen inclusive multilateralism for a more peaceful and sustainable planet. Through its research, convening, and strategic advising, IPI provides innovative recommendations for the United Nations System, member states, regional organizations, civil society, and the private sector.

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 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, 2023 AND 2022

**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. 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, 2023 AND 2022**

**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 July 1, 2024, the date that the financial statements are considered available to be issued.

**INTERNATIONAL PEACE INSTITUTE, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2023 AND 2022**

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

k - 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.

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 ninety 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 available to meet cash needs for general expenditures within one year are summarized as follows:

| | 2023 | 2022 |
|---|---|---|
| Financial assets at Year End: | | |
| Cash and cash equivalents | $ 906,326 | $ 3,112,467 |
| Unconditional promises to give | 4,575,624 | 4,578,091 |
| Other receivables included in prepaid and other current assets | 41,315 | 10,943 |
| Investments | 940,150 | 918,756 |
| Total Financial Assets | 6,463,415 | 8,620,257 |
| 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 | (4,228,437) | (6,636,049) |
| Plus: Net assets with restrictions to be met in less than one year | 3,393,808 | 5,364,917 |
| Net assets with donor restrictions for endowment, subject to spending policy and appropriation | (857,667) | (857,667) |
| Financial Assets Available to Meet General Expenditures within One Year | $ 4,771,119 | $ 6,491,458 |

**INTERNATIONAL PEACE INSTITUTE, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2023 AND 2022**

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

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

**Note 4 - Unconditional Promises to Give**

Unconditional promises to give are due as follows:

| | 2023 | | | 2022 |
|---|---|---|---|---|
| | **Without Donor Restrictions** | **Time and Purpose Restrictions** | **Total** | **Total** |
| Due in less than one year | $1,234,662 | $2,876,256 | $4,110,918 | $3,635,495 |
| Due in one to five years | - | 493,543 | 493,543 | 1,000,000 |
| | 1,234,662 | 3,369,799 | 4,604,461 | 4,635,495 |
| Less: Discount to present value | - | (28,837) | (28,837) | (57,404) |
| Total, 2023 | $1,234,662 | $3,340,962 | $4,575,624 | |
| Total, 2022 | $ 59,407 | $4,518,684 | | $4,578,091 |

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%.

**INTERNATIONAL PEACE INSTITUTE, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2023 AND 2022**

## Note 5 - Investments

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

| | 2023 | | 2022 | |
|---|---|---|---|---|
| | Cost | Fair Value | Cost | Fair Value |
| Cash and cash equivalents | $ 67,408 | $ 67,408 | $ 2,052 | $ 2,052 |
| Certificates of deposit | 872,999 | 872,742 | 916,999 | 916,704 |
| Total | $940,407 | $940,150 | $919,051 | $918,756 |

Investment income consisted of the following:

| | 2023 | 2022 |
|---|---|---|
| Interest and dividends | $41,855 | $4,691 |
| Unrealized gain (loss) on investments | 38 | (148) |
| Investment Income | $41,893 | $4,543 |

## 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.

INTERNATIONAL PEACE INSTITUTE, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

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

As of December 31, 2023 and 2022, the Organization's endowment fund composition, by type of fund and net asset classification, are summarized as follows:

| | Without Donor Restrictions | Investment Income Above Original Gift Amount | Investment in Perpetuity | Total |
|---|---|---|---|---|
| Donor-restricted endowment funds, 2023 | $ - | $ - | $857,667 | $857,667 |
| Donor-restricted endowment funds, 2022 | $ - | $ - | $857,667 | $857,667 |

Changes in the Organization's endowment fund for the years ended December 31, 2023 and 2022 are summarized as follows:

| | 2023 | | | |
|---|---|---|---|---|
| | Without Donor Restrictions | Investment Income Above Original Gift Amount | Investment in Perpetuity | Total |
| Endowment fund, beginning of year | $ - | $ - | $857,667 | $857,667 |
| Investment income | 39,380 | - | - | 39,380 |
| Appropriation of endowment assets for expenditure | (39,380) | - | - | (39,380) |
| Endowment Fund, End of Year | $ - | $ - | $857,667 | $857,667 |

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

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

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.

**Note 7 - Property and Equipment**

Property and equipment consist of the following:

| | Life | 2023 | 2022 |
|---|---|---|---|
| Leasehold improvements | Life of lease | $6,718,109 | $6,752,540 |
| Furniture and fixtures | 7 years | 974,915 | 974,915 |
| Computers and equipment | 3-5 years | 1,489,459 | 1,504,970 |
| Automobiles | 5 years | 45,338 | 45,338 |
| | | 9,227,821 | 9,277,763 |
| Less: Accumulated depreciation and amortization | | (9,106,048) | (9,267,664) |
| | | $ 121,773 | $ 10,099 |

During the year ended December 31, 2023, the Organization disposed of fully depreciated assets totaling $177,219.

**Note 8 - Operating Lease Liability**

The Organization occupies office space under operating lease agreements that expired April 2024. The Organization is currently in the process of negotiating new lease terms.

INTERNATIONAL PEACE INSTITUTE, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

**Note 8 - Operating Lease Liability (continued)**

Operating lease costs for the years ended December 31, 2023 and 2022 totaled $480,015. There were no variable lease costs incurred. As of December 31, 2023, the remaining term of the Organization's operating leases is four months, and the discount rate is 1.04%.

Maturities of the Organization's operating lease liability as of December 31, 2023 are as follows:

| | |
|---|---|
| Through April 30, 2024 | $161,101 |
| Less: Amount attributable to interest | (348) |
| | $160,753 |

**Note 9 - Loan Payable**

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 26, 2024. Borrowings on the line of credit bear interest at 6.03%, plus the Secured Overnight Financing Rate as administered by the CME Group Benchmark Administration Limited (5.54% at December 31, 2023). As of December 31, 2023, the Organization had outstanding borrowings of $500,000. There were no outstanding borrowings as of December 31, 2022.

**Note 10 - Loan Payable - Paycheck Protection Program**

In April 2021, the Organization received a 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 (see Note 11d).

**Note 11 - Commitments and Contingencies**

a - The Organization entered into a lease for additional office space in Bahrain that provides for monthly rent and operating costs of $13,087. The lease expired on October 31, 2023 and has since continued on a month-to-month basis.

**Note 11 - Commitments and Contingencies (continued)**

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 2023 and 2022, the contributions under this plan were $76,936 and $64,654, 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, 2022 and 2023.

d - During 2023, the Organization received a Civil Investigative Demand ("CID") issued by the United States Attorney's Office for the District of Minnesota in the course of a False Claims Act investigation to determine whether there has been a violation in connection with an application under the Paycheck Protection Program loan established in March 2020 under the Coronavirus Aid, Relief, and Economic Security Act to provide Small Business Administration loans to businesses suffering economically as a result of the COVID-19 pandemic (See Note 10). Given the current inherent uncertainties of the investigation and litigation, the Organization is not able to provide an evaluation of the likelihood of an adverse outcome or an estimate of the range of a potential loss.

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

**Note 12 - Donated Services**

During 2023 and 2022, the Organization received donated professional services in connection with its programs. The aggregate value of these services was determined to be $14,763 and $7,007, respectively, 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, 2023, the Organization received 45% of its total contributions from two foreign governments. During the year ended December 31, 2022, the Organization received 30% of its total contributions from one foundation.