

EAST-WEST MANAGEMENT INSTITUTE, INC.

**Financial Statements
For the Years Ended December 31, 2022 and 2021
With Independent Auditor's Reports**



MITCHELL TITUS
ACHIEVING EXCELLENCE TOGETHER

EAST-WEST MANAGEMENT INSTITUTE, INC.
For the Years Ended December 31, 2022 and 2021

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
East-West Management Institute, Inc.

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of East-West Management Institute, Inc. (the Institute), which comprise the statements of financial position as of December 31, 2022 and 2021, the related statements of activities 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 East-West Management Institute, Inc. as of December 31, 2022 and 2021, and the changes in their net assets and their 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 (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Institute, 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 the Institute's ability to continue as a going concern for one year after the date that the financial statements are issued or are available to be issued.

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Auditor's 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 auditor's 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 GAAS 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 GAAS, 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 the Institute'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 the Institute'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 audits, significant audit findings, and certain internal control-related matters that we identified during the audits.

Mitchell Titus, LLP

June 30, 2023

EAST-WEST MANAGEMENT INSTITUTE, INC.
 Statements of Financial Position
 As of December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
ASSETS		
Cash	\$ 514,958	\$ 316,775
Contracts and grants receivable	2,211,015	2,421,564
Contributions receivable	334,583	221,970
Security deposits and other assets	301,898	160,490
Right-to-use lease assets	535,344	-
Property and equipment, net	11,141	14,855
Total assets	<u>\$ 3,908,939</u>	<u>\$ 3,135,654</u>
LIABILITIES AND NET ASSETS		
Accounts payable and accrued expenses	\$ 744,603	\$ 811,880
Lease liability - current portion	179,069	-
Lease liability - noncurrent portion	356,275	-
Deferred revenue	277,737	554,775
Loans payable	-	575,000
Total liabilities	<u>1,557,684</u>	<u>1,941,655</u>
COMMITMENTS		
<i>Net assets</i>		
Without donor restriction	980,940	1,008,811
With donor restriction	1,370,315	185,188
Total net assets	<u>2,351,255</u>	<u>1,193,999</u>
Total liabilities and net assets	<u>\$ 3,908,939</u>	<u>\$ 3,135,654</u>

The accompanying notes are an integral part of these financial statements.

EAST-WEST MANAGEMENT INSTITUTE, INC.
Statements of Activities
For the Years Ended December 31, 2022 and 2021

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND RECLASSIFICATIONS						
U.S. Government grants and cooperative agreements	\$ 21,623,700	\$ -	\$ 21,623,700	\$ 12,179,699	\$ -	\$ 12,179,699
U.S. Government contracts	1,445,447	-	1,445,447	2,879,742	-	2,879,742
United Kingdom's Foreign and Commonwealth Office (FCO)	35,000	-	35,000	342,536	-	342,536
Contributed services	804,276	-	804,276	191,795	-	191,795
Other contracts	128,343	-	128,343	291,581	-	291,581
Other grants and contributions	573,101	1,411,590	1,984,691	505,292	138,608	643,900
Other income	162	-	162	103	-	103
Net assets released from restrictions	226,463	(226,463)	-	289,410	(289,410)	-
Total revenue and reclassifications	24,836,492	1,185,127	26,021,619	16,680,158	(150,802)	16,529,356
EXPENSES						
Program	21,924,408	-	21,924,408	14,235,215	-	14,235,215
General and administrative	2,922,412	-	2,922,412	2,455,356	-	2,455,356
Total expenses	24,846,820	-	24,846,820	16,690,571	-	16,690,571
Change in net assets before other income (expense)	(10,328)	1,185,127	1,174,799	(10,413)	(150,802)	(161,215)
OTHER INCOME (EXPENSE)						
Interest income	165	-	165	40	-	40
Currency exchange gain (loss)	-	-	-	-	-	-
Interest expense	(16,260)	-	(16,260)	(13,509)	-	(13,509)
Deferred rent expense	-	-	-	8,125	-	8,125
Bad debt	(1,448)	-	(1,448)	(1,009)	-	(1,009)
Other expense, net	(17,543)	-	(17,543)	(6,352)	-	(6,352)
Change in net assets	(27,871)	1,185,127	1,157,256	(16,765)	(150,802)	(167,567)
Net assets, beginning of year	1,008,811	185,188	1,193,999	1,025,576	335,990	1,361,566
Net assets, end of year	\$ 980,940	\$ 1,370,315	\$ 2,351,255	\$ 1,008,811	\$ 185,188	\$ 1,193,999

The accompanying notes are an integral part of these financial statements.

EAST-WEST MANAGEMENT INSTITUTE, INC.
 Statements of Cash Flows
 For the Years Ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 1,157,256	\$ (167,567)
<i>Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities</i>		
<i>Depreciation</i>	3,714	3,714
<i>Changes in operating assets and liabilities</i>		
Decrease (increase) in contracts and grants receivable	210,549	(731,942)
(Increase) decrease in contributions receivable	(112,613)	753
(Increase) decrease in security deposits and other assets	(141,408)	99,184
(Decrease) increase in accounts payable and accrued expenses	(67,277)	213,908
(Decrease) increase in deferred revenue	(277,038)	336,983
	<u>773,183</u>	<u>(244,967)</u>
Net cash provided by (used in) operating activities		
	<u>773,183</u>	<u>(244,967)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Total purchase of equipment	-	(18,570)
(Repayment) borrowings of loan principal	(575,000)	125,000
	<u>(575,000)</u>	<u>106,430</u>
Net cash (used in) provided by financing activities		
	<u>(575,000)</u>	<u>106,430</u>
Net increase (decrease) in cash and restricted cash	198,183	(138,537)
Cash and restricted cash, beginning of the year	316,775	455,312
Cash and restricted cash, end of the year	<u>\$ 514,958</u>	<u>\$ 316,775</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during the year for interest	<u>\$ 16,260</u>	<u>\$ 13,509</u>

The accompanying notes are an integral part of these financial statements.

EAST-WEST MANAGEMENT INSTITUTE, INC.
Notes to Financial Statements
For the Years Ended December 31, 2022 and 2021

NOTE 1 ORGANIZATION

East-West Management Institute, Inc. (the Institute, or EWMI) was organized in January 1988 as a not-for-profit corporation under sub-paragraph (a)(5) of Section 102 of the not-for-profit corporation law of the State of New York and is recognized as a public charity under Section 501(c)(3) of the Internal Revenue Code (the Code). The Institute was established to help build the infrastructure and institutions of an open society through the support of a variety of educational, legal, and economic restructuring activities.

The Institute's government revenue arises primarily from contracts, cooperative agreements, and grants from the United States Agency for International Development (USAID) and the U.S. Department of State (collectively, the U.S. Government). Programs covered by these contracts, cooperative agreements, and grants in 2022 and 2021 were as follows:

- Development and implementation of judicial reform, legal aid, and rule of law programs in Albania, Armenia, Cambodia, Croatia, Georgia, Kyrgyz Republic, North Macedonia, Uganda, and Uzbekistan.
- Civil society programs, including training and support for non-governmental organizations (NGOs), grassroots networks, public policy, and human rights programs in Cambodia, Georgia, Kyrgyz Republic, North Macedonia, and Uganda.
- Training and support for economic and community development in Azerbaijan.

During 2022 and 2021, the Institute had other programs that were funded through grants from other sources. They included a project to explore and promote the option for building community-based philanthropic endowments by capturing a portion of the proceeds of privatization; various programs to support public interest legal advocacy; programs to promote open data and transparent development in Southeast Asia, the Lower Mekong countries, and Kosovo; programs to support sustainable green development in Southeast Asia; a program on freedom of expression in Malaysia, and a program to support indigenous data sovereignty in Asia.

The Institute also implemented contracts in 2022 and 2021 to support Landesa's land and forestry programs in the Mekong region, contracts to support World Wildlife Fund's efforts to strengthen conservation, community engagement, and indigenous voices in Asia, and a contract to undertake a gender analysis in Malaysia.

As described in Note 7, the Institute implements grant-making programs to foster the rule of law, economic development, and a civil society worldwide. These programs are generally funded through various grants, cooperative agreements, contracts and contributions from governments and private donors.

EAST-WEST MANAGEMENT INSTITUTE, INC.
Notes to Financial Statements
For the Years Ended December 31, 2022 and 2021

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The Institute's financial statements have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) as applicable to not-for-profit entities.

Net Asset Classification

The Institute's net assets are presented and classified as net assets without donor restrictions and net assets with donor restrictions based on the existence or absence of donor-imposed restrictions.

Without donor restrictions—Resources that are not subject to donor restrictions. Net assets without donor restrictions may be designated by the Board of Directors (the Board), or management at the Board's direction, to cover any purpose determined by the Institute.

With donor restrictions—Funds that the Institute may use in accordance with donor restrictions for specific purposes or upon the passage of time (see Note 5).

Use of Estimates

The preparation of financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates.

Revenue Recognition

Revenue from grants and contracts is recorded when services are performed in accordance with the underlying agreements. Federal funds under cooperative agreements are recorded as revenue when expenditures are incurred and are billable to the government.

As of December 31, 2022 and 2021, all amounts owed under such grants, cooperative agreements, and contracts were fully funded and, accordingly, no balance was owed.

Contributions

All unconditional contributions are recorded as revenue when received at their fair value. The fair value of long-term receivables is measured based on the present value of future cash flows, with market participants giving consideration to the expectation of possible variations in the amount and/or timing of the cash flows, the donors' credit risk and other specific factors to be determined.

EAST-WEST MANAGEMENT INSTITUTE, INC.
Notes to Financial Statements
For the Years Ended December 31, 2022 and 2021

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Contributions *(continued)*

All contributions are considered available for unrestricted use, unless specifically restricted by the donor. The Institute records contributions as net assets with donor restrictions if they are received with donor stipulations that limit their use either by purpose or the passage of time. When donor restrictions expire (*i.e.*, when a purpose or time restriction is fulfilled), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the accompanying statements of activities as net assets released from restrictions.

Cost-Share Amounts and Contributed Services

Cost-share amounts include cash received from non-U.S. Government donors and expended, as well as in-kind services provided to the applicable USAID grants. These amounts are recorded by the Institute as contributions and program expenses in the accompanying statements of activities.

Contributed services that meet the appropriate criteria are recorded as both contributions and expenses at fair value at the time the services are rendered. These services are provided by professionals who contributed their time to further develop the Institute's programs.

All of the Institute's Board members have volunteered their time to serve on the Board. The value of this contributed time is not reflected in these financial statements since the services do not meet all of the following criteria for recognition: (a) create or enhance nonfinancial assets or (b) require specialized skills provided by individuals possessing those skills, and (c) would typically need to be purchased if they were not donated.

Cash

The Institute maintains cash in bank accounts in amounts that may exceed federally insured limits. The Institute has not experienced any account losses.

Property and Equipment

The Institute capitalizes property and equipment purchased at a cost of \$5,000 or more. Depreciation of property and equipment is provided using the straight-line method over the estimated useful lives of the assets purchased, which range from three to seven years.

Functional Allocation of Expenses

Costs that are specifically identifiable to programs or to management and administration are charged directly to such functions. Costs incurred for both programs and general and administration are allocated based on certain factors, such as the time spent on activities performed under the respective functions. The Institute does not perform fund-raising activities.

EAST-WEST MANAGEMENT INSTITUTE, INC.
Notes to Financial Statements
For the Years Ended December 31, 2022 and 2021

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Income Taxes

Management evaluated the Institute's tax positions and concluded that, as of December 31, 2022, there were no uncertain tax positions taken or expected to be taken. Accordingly, no interest or penalties related to uncertain tax positions have been accrued in the accompanying financial statements.

The Institute is subject to audits by taxing jurisdictions; however, no audits for any tax periods are currently in progress. Management believes that the Institute is no longer subject to income tax examinations by federal, state, or local tax authorities for years ended on and prior to December 31, 2019.

Statements of Cash Flows

The following table provides a reconciliation of cash and restricted cash within the accompanying statements of financial position that sum to the total of the same amounts shown in the accompanying statements of cash flows.

	<u>2022</u>	<u>2021</u>
Cash	\$ 514,958	\$ 316,775
	<u>\$ 514,958</u>	<u>\$ 316,775</u>

Accounting Pronouncement Adopted

During 2022, the Institute adopted Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842)*. ASU No. 2016-02 changes the accounting for leases, primarily by lessees in operating leases, by requiring: (a) the recognition of (i) a lease asset (right of use) and a lease liability, initially measured at the present value of the lease payments, in the balance sheet and (ii) a single lease cost, calculated so that the cost of the lease is allocated over the lease term, generally on a straight-line basis, and (b) the classification of all lease payments within the operating activities in the statement of cash flows. Based on the above, the adoption of ASU No. 2016-02 required the Institute to include on the statements of financial position the value of the right-to-use asset and right-to-use liability and corresponding disclosures. As permitted by the ASU, for leases with a term of 12 months or less as a lessee, the Institute has elected not to recognize lease assets and liabilities and account for the lease similar to existing guidance for operating leases. Upon adoption of the ASU, the Institute recognized right-of-use assets of \$706,446 and lease liabilities of \$706,446 calculated based on the present value of the remaining minimum lease payments as of the adoption date. No change to beginning net assets earnings was required. The new standard did not have a material impact on the Institute's statements of activities or its statements of cash flows.

EAST-WEST MANAGEMENT INSTITUTE, INC.
Notes to Financial Statements
For the Years Ended December 31, 2022 and 2021

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Accounting Pronouncement Not Yet Adopted

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments—Credit Losses (Topic 326)*. The ASU requires organizations to measure all expected credit losses for financial instruments held at the reporting date based on historical experience, current conditions and reasonable and supportable forecasts. The ASU impacts organizations that hold financial assets and net investments in leases that are not accounted for at fair value through net income. The scope of this guidance affects trade receivables, loans receivable, and net investment in leases among other financial assets; however, it excludes contributions (pledges) receivable. The effective date of the ASU is for fiscal years beginning after December 15, 2022. The Institute is currently evaluating the impact of the adoption of the ASU on its financial statements.

Reclassification

Certain prior year (2021) amounts have been reclassified to conform to the current year's (2022) financial statements.

NOTE 3 CONTRIBUTIONS RECEIVABLE

Contributions receivable at December 31, 2022 and 2021 was expected to be collected in less than one year.

NOTE 4 DEFERRED REVENUE

Funds under the following grants were recorded as deferred revenue and recognized as revenue based on expenditures incurred.

	2022			
	Opening Balance	Funds Received	Recognized as Revenue	Deferred Revenue
National Endowment Democracy (NED)	\$ 14,884	\$ 46,000	\$ 52,575	\$ 8,309
National Endowment Democracy (NED)	-	59,458	57,652	1,806
National Endowment Democracy (NED)	-	33,750	415	33,335
New America Foundation	20,000	20,000	24,475.00	15,525
Kosovo Open Data	4,462	-	4,462	-
Stockholm University - Spider	-	33,643	595	33,048
Luminate	425,858	19,000	344,604	100,254
Luminate II	88,645	176,586	179,771	85,460
Landesa II	-	113,172	113,172	-
RECOFTC (EU Funds) – Voices for Mekong Forests	926	2,012	2,938	-
Latin American Open Data Initiative (ILDA)	-	4,000	4,000	-
	<u>\$ 554,775</u>	<u>\$ 507,621</u>	<u>\$ 784,659</u>	<u>\$ 277,737</u>

EAST-WEST MANAGEMENT INSTITUTE, INC.
Notes to Financial Statements
For the Years Ended December 31, 2022 and 2021

NOTE 4 DEFERRED REVENUE (continued)

	2021			
	Opening Balance	Funds Received	Recognized as Revenue	Deferred Revenue
National Endowment Democracy (NED)	\$ -	\$ 58,000	\$ 43,116	\$ 14,884
New America Foundation	-	20,000	-	20,000
Kosovo Open Data	9,987	-	5,525	4,462
Stockholm University - Spider	-	44,797	44,797	-
Luminate	187,500	425,206	205,223	407,483
Luminate II	-	298,315	191,295	107,020
Landesa II	-	176,430	176,430	-
RECOFTC (EU Funds) – Voices for Mekong Forests	1,225	26,300	26,599	926
Latin American Open Data Initiative (ILDA)	19,080	12,720	31,800	-
	<u>\$ 217,792</u>	<u>\$ 1,061,767</u>	<u>\$ 724,784</u>	<u>\$ 554,775</u>

NOTE 5 NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions at December 31 consisted of contributions for the following purposes:

	<u>2022</u>	<u>2021</u>
Open Development Initiative	\$ 200,000	\$ 100,000
Partner Legacy Support Fund Donations	2,402	32,467
International Development Research Center (IDRC)	432,555	6,141
Slovak Agency	200,580	-
Luminate	576,053	-
	<u>\$ 1,411,590</u>	<u>\$ 138,608</u>

Net assets released from donor restrictions consisted of expenditures for the following purposes:

	<u>2022</u>	<u>2021</u>
Open Development Initiative	\$ 108,100	\$ 60,103
Partner Legacy Support Fund Donations	-	13,235
Support for development of public interest law in Cambodia	-	85,000
Slovak Agency	27,396	-
International Development Research Center (IDRC)	90,967	131,072
	<u>\$ 226,463</u>	<u>\$ 289,410</u>

EAST-WEST MANAGEMENT INSTITUTE, INC.
Notes to Financial Statements
For the Years Ended December 31, 2022 and 2021

NOTE 6 GOVERNMENT GRANTS, COOPERATIVE AGREEMENTS, AND CONTRACTS

The Institute's grants, cooperative agreements, and contracts with the U.S. Government and sub-contracts with certain pass-through entities generally cover several periods. At the end of the year, total funds available consisted of \$78,523,918 in 2022 and \$79,906,742 in 2021 under remaining grants and cooperative agreements; \$130,780 in 2022 and \$1,680,576 in 2021 under remaining contracts; and \$1,746,568 in 2022 and \$1,876,972 in 2021 under remaining sub-awards. These funds will be recognized as revenue when the services have been rendered.

The Institute is obligated to provide matching funding under certain U.S. Government grants and cooperative agreements. Subject to certain restrictions, matching funds may be met with funds from other grants and contracts, and cost-share amounts (see Notes 2 and 7), and other contributions. Matching funds obligated and not yet provided under remaining grants and cooperative agreements totaled \$4,856,859 and \$4,306,232 at December 31, 2022 and 2021, respectively.

All contracts, cooperative agreements, and grants with the USAID and the U.S. Department of State allow the Institute to charge for indirect costs using a provisional indirect cost rate for the year, which may be different from the actual indirect cost rate that may be finally allowed for that year under such contracts, cooperative agreements, and grants. Adjustments for the difference between the indirect costs allowed under the provisional rate and the actual indirect costs incurred during the year are accrued and recognized in the financial statements in the year in which the difference occurs.

During 2022, the Institute's actual indirect costs were lower than the amount billed throughout 2022, using the provisional indirect cost rate, by a net amount of \$632,535. This amount was presented as a reduction of grants and contracts receivable in the accompanying financial statements at December 31, 2022, and will be deducted from the 2024 billing to the USAID and the U.S. Department of State after approval of the final indirect cost rate by the USAID.

During 2021, the Institute's actual indirect costs were lower than the amount billed throughout 2021, using the provisional indirect cost rate, by a net amount of \$111,471. This amount was presented as a reduction of grants and contracts receivable in the accompanying financial statements at December 31, 2021, and will be deducted from the 2023 billing to the USAID and the U.S. Department of State after approval of the final indirect cost rate by the USAID.

EAST-WEST MANAGEMENT INSTITUTE, INC.
Notes to Financial Statements
For the Years Ended December 31, 2022 and 2021

NOTE 7 GRANT EXPENSE

The Institute implements grant-making programs to foster the rule of law, economic development, and a civil society worldwide. The activities it has supported include the development of NGOs and professional associations; promotion of ethnic tolerance, human rights and independent media; rural economic development and curriculum development; and research and policy reform in transitional countries. A significant goal is for the sustainability of local institutions. The Institute complements its grant-making with capacity-building activities for NGOs and other groups, professional training, and advisory services. It also engages other donors to co-fund programs and sub-grantees.

Generally, grants are awarded through a competitive grant application process. In addition, the Institute supports certain unsolicited proposals and partnerships. The Institute made cash grants of \$8,283,430 in 2022 and \$5,018,314 in 2021 to local NGOs and other groups. Sub-grantees' cost share under these programs totaled \$655,779 in 2022 and \$641,706 in 2021.

NOTE 8 EMPLOYEE BENEFIT PLAN

The Institute maintains a defined contribution plan (the Plan) under Section 401(k) of the Code, covering substantially all employees. Under the Plan, which was established in 1999, the Institute provides matching contributions equal to 3% of all qualified employees' compensation to the 401(k) component of the Plan. The Institute additionally elected to contribute 7.74% and 6.31% of all qualified employees' compensation to the revenue-sharing component of the Plan during 2022 and 2021, respectively. The Institute's total contributions to the Plan were approximately \$333,395 in 2022 and \$217,523 in 2021. An officer of the Institute serves as the Plan's trustee.

EAST-WEST MANAGEMENT INSTITUTE, INC.
Notes to Financial Statements
For the Years Ended December 31, 2022 and 2021

NOTE 9 FUNCTIONAL EXPENSES

The Institute's expenses were allocated to functional categories as follows:

	Year Ended December 31, 2022		
	Program	General and Administrative	Total
<i>Expenses</i>			
Salaries and employee benefits	\$ 7,457,110	\$ 2,159,357	\$ 9,616,467
Consultants and related expenses	2,264,504	105,264	2,369,768
Rent	362,423	153,279	515,702
Office expense and supplies	300,476	69,889	370,365
Depreciation	-	3,714	3,714
Travel and meals	288,022	112,939	400,961
Insurance	12,604	104,237	116,841
Overseas allowances	434,553	-	434,553
Grants and subcontracts	9,537,925	-	9,537,925
Messengers and postage	8,842	221	9,063
Noncapitalized equipment	313,148	51,385	364,533
Telecommunications	66,601	12,466	79,067
Other professional services	50,238	81,018	131,256
Meetings and trainings	743,377	7,400	750,777
Miscellaneous	84,585	61,243	145,828
Total expenses	<u>21,924,408</u>	<u>2,922,412</u>	<u>24,846,820</u>
<i>Other expenses</i>			
Interest	-	16,260	16,260
Deferred rent	-	-	-
Bad debt	743	705	1,448
Total other expenses	<u>743</u>	<u>16,965</u>	<u>17,708</u>
Total	<u><u>\$ 21,925,151</u></u>	<u><u>\$ 2,939,377</u></u>	<u><u>\$ 24,864,528</u></u>

EAST-WEST MANAGEMENT INSTITUTE, INC.
Notes to Financial Statements
For the Years Ended December 31, 2022 and 2021

NOTE 9 FUNCTIONAL EXPENSES *(continued)*

	Year Ended December 31, 2021		
	Program	General and Administrative	Total
<i>Expenses</i>			
Salaries and employee benefits	\$ 4,692,763	\$ 1,761,356	\$ 6,454,119
Consultants and related expenses	1,801,174	109,638	1,910,812
Rent	291,026	200,969	491,995
Office expense and supplies	195,179	74,554	269,733
Depreciation	-	3,714	3,714
Travel and meals	98,681	17,054	115,735
Insurance	17,498	93,412	110,910
Overseas allowances	141,126	-	141,126
Grants and subcontracts	6,441,196	-	6,441,196
Messengers and postage	22,086	748	22,833
Noncapitalized equipment	266,167	35,192	301,359
Telecommunications	35,002	11,538	46,539
Other professional services	50,286	93,218	143,504
Meetings and trainings	131,765	3,940	135,705
Miscellaneous	51,268	50,024	101,292
Total expenses	<u>14,235,215</u>	<u>2,455,356</u>	<u>16,690,571</u>
<i>Other expenses</i>			
Interest	-	13,509	13,509
Deferred rent	-	(8,125)	(8,125)
Bad debt	1,009	-	1,009
Total other expenses	<u>1,009</u>	<u>5,384</u>	<u>6,393</u>
Total	<u><u>\$ 14,236,225</u></u>	<u><u>\$ 2,460,739</u></u>	<u><u>\$ 16,696,964</u></u>

NOTE 10 COMMITMENTS AND CONTINGENCIES

Loan Agreement

On September 19, 2013, the Institute entered into a loan agreement (the Agreement) with Bank of America, N.A. (the Bank), whereby the Bank provided the Institute with a revolving line of credit (the Facility) in the amount of \$1,000,000 (the Facility Commitment). The Facility, as renewed, ends on February 15, 2024 (the Facility Expiration Date), and may be renewed by the Bank prior to the Facility Expiration Date. The portion of the Facility Commitment not used by the Institute is subject to an unused commitment fee of 0.0625%.

The loan bears interest calculated daily using the British Bankers Association London Interbank Offered Rate plus 1.85%. Interest expense in 2022 and 2021 totaled \$16,260 and \$13,509, respectively.

The payment of the Institute's obligations under the Agreement, up to the amount of \$1,000,000, is unconditionally guaranteed by another organization.

The Institute is in compliance with the terms of the Agreement.

EAST-WEST MANAGEMENT INSTITUTE, INC.
Notes to Financial Statements
For the Years Ended December 31, 2022 and 2021

NOTE 10 COMMITMENTS AND CONTINGENCIES *(continued)*

Leases

The Institute leases office space in New York, Washington, DC and various international locations. The New York office space is under a five-year lease that commenced on September 1, 2022. The leases in foreign locations have terms terminating on various dates through 2022.

Certain leases may be canceled by the Institute based on certain circumstances or with notice.

Rent expense for the years ended 2022 and 2021 was \$515,702 and \$491,995, respectively.

The Institute recognizes lease liabilities and their corresponding right-of-use (ROU) assets at the commencement date, and initially measures the lease liabilities and ROU assets using present value of lease payments over the defined lease term discounted using the incremental borrowing rate or risk-free rate.

For the Institute's leases that do not provide an implicit rate, the Institute utilizes the incremental borrowing rate, which is based on information available at the lease commencement date and is used to determine the present value of future lease payments. The Institute's incremental borrowing rate applicable to the lease is determined by estimating what it would cost the Institute to borrow a collateralized amount equal to the total lease payments over the lease term based on the contractual terms of the lease and the location of the leased asset.

As of December 31, 2022, the Institute had ROU assets valued at \$535,344. The value of the right to use assets equals the value of the right-of-use liabilities. As such, the Institute recognized ROU liabilities as of December 31, 2022 of \$535,344.

The weighted-average lease term and discount rate of as December 31, 2022 was 3.33 years and 0.99%, respectively.

EAST-WEST MANAGEMENT INSTITUTE, INC.
Notes to Financial Statements
For the Years Ended December 31, 2022 and 2021

NOTE 10 COMMITMENTS AND CONTINGENCIES *(continued)*

Leases *(continued)*

A maturity analysis of future lease payments under operating leases (with remaining terms in excess of one year) at December 31, 2022 is as follows:

Maturity of Lease Liabilities of Operating Leases	
2023	\$ 179,069
2024	174,444
2025	114,971
2026	77,611
2027	-
	546,095
Obligation, gross	546,095
Liability accretion	(10,751)
Total obligation, net of liability accretion	\$ 535,344

U.S. Government Grants, Cooperative Agreements, and Contracts

Certain U.S. Government grants, cooperative agreements, and contracts may be subject to audit by the funding sources. Such audit might result in disallowances of costs submitted for reimbursement. Management believes that such cost disallowances, if any, will not have a material effect on the accompanying financial statements. Accordingly, no amounts have been accrued in the accompanying financial statements for such potential claims.

NOTE 11 CONCENTRATION OF RISK

The Institute received approximately 80% and 81% of its total revenue in 2022 and 2021, respectively, either directly or indirectly from the USAID. Any significant reduction in the level of support from the USAID could have a material adverse effect on the Institute's programs.

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Notes to Financial Statements
For the Years Ended December 31, 2022 and 2021

NOTE 12 LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, without donor or other restrictions limiting their use, within one year of December 31, comprise the following:

	<u>2022</u>	<u>2021</u>
Cash	\$ 514,958	\$ 316,775
Contracts and grants receivable	2,211,015	2,421,564
Contributions receivable	<u>334,583</u>	<u>221,970</u>
	<u>\$ 3,060,556</u>	<u>\$ 2,960,309</u>

As part of the Institute's liquidity management plan, the Institute structures its assets to be available as general expenditures, liabilities and other obligations as they become due. The Institute maintains sufficient cash to meet its operating requirements, and should additional needs arise, the Institute can draw down on its line of credit of \$1,000,000. As of December 31, 2022 and 2021, amounts outstanding under the line of credit amounted to \$0 and \$575,000, respectively.

NOTE 13 PAYCHECK PROTECTION PROGRAM (PPP)

On March 17, 2021, the Institute received the second round of loan proceeds in the amount of \$226,180 under the PPP. The PPP, established as part of the Coronavirus Aid, Relief, and Economic Security Act, provides loans to qualifying businesses. The loans and accrued interest are forgivable after 24 weeks if the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The amount of loan forgiveness will be reduced if the borrower terminates employees or reduces salaries during the 24-week period. The unforgiven portion of the PPP loan is payable over two years at an interest rate of 1%, with a deferral of payments for the first six months. On November 29, 2021, the Institute was notified that its PPP loan was fully forgiven by the U.S. Small Business Administration. Therefore, the Institute concluded that the PPP loan represented, in substance, a conditional contribution as of December 31, 2021. As a result, the Institute has accounted for the PPP loan in accordance with ASC 958-605, *Not-for-Profit Entities: Revenue Recognition*, as a conditional contribution. As of December 31, 2022, the Institute had recognized the loan proceeds related to eligible expenses of \$0.

EAST-WEST MANAGEMENT INSTITUTE, INC.
Notes to Financial Statements
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NOTE 14 SUBSEQUENT EVENTS

The Institute evaluates events occurring after the date of the financial statements to consider whether or not the impact of such events needs to be reflected or disclosed in the financial statements. Such evaluation was performed through June 30, 2023, the date the financial statements were approved for issuance. There were no subsequent events that should be accounted for or require disclosure in the accompanying financial statements.

