

**EAST-WEST MANAGEMENT INSTITUTE, INC.**

**Financial Statements**

**For the Years Ended December 31, 2013 and 2012**

**With Report of Independent Auditors**

**EAST-WEST MANAGEMENT INSTITUTE, INC.**  
For the Years Ended December 31, 2013 and 2012

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## **REPORT OF INDEPENDENT AUDITORS**

The Board of Directors  
East-West Management Institute, Inc.

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, 2013 and 2012, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in conformity with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of East-West Management Institute, Inc. as of December 31, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

*Mitchell & Titus, LLP*

June 26, 2014

**EAST-WEST MANAGEMENT INSTITUTE, INC.**

Statements of Financial Position  
As of December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
<b>ASSETS</b>		
Cash	\$ 870,110	\$ 1,104,368
Contracts and grants receivable	1,910,822	2,128,126
Security deposits and other assets	299,378	196,385
Restricted cash	59,433	47,359
Property and equipment, net	4,691	6,255
<b>Total assets</b>	<u>\$ 3,144,434</u>	<u>\$ 3,482,493</u>
<b>LIABILITIES AND NET ASSETS</b>		
Accounts payable and accrued expenses	\$ 518,747	\$ 834,997
Loans payable	1,000,000	1,000,000
<b>Total liabilities</b>	<u>1,518,747</u>	<u>1,834,997</u>
Commitments		
<i>Net assets</i>		
Unrestricted	1,465,171	1,452,180
Temporarily restricted	160,516	195,316
<b>Total net assets</b>	<u>1,625,687</u>	<u>1,647,496</u>
<b>Total liabilities and net assets</b>	<u>\$ 3,144,434</u>	<u>\$ 3,482,493</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, 2013 and 2012

	2013			2012		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
<b>REVENUE AND RECLASSIFICATIONS</b>						
U.S. government grants and cooperative agreements	\$ 15,468,292	\$ -	\$ 15,468,292	\$ 12,768,624	\$ -	\$ 12,768,624
U.S. government contracts	4,678,927	-	4,678,927	5,862,815	-	5,862,815
Contributed services	272,396	-	272,396	112,161	-	112,161
United Kingdom's Department for International Development	-	-	-	257,324	-	257,324
Other contracts	385,431	-	385,431	966,570	-	966,570
Other grants and contributions	61,487	328,029	389,516	-	204,983	204,983
Other revenue	2,447	-	2,447	184	-	184
Net assets released from restrictions	362,829	(362,829)	-	114,179	(114,179)	-
<b>Total revenue</b>	<b>21,231,809</b>	<b>(34,800)</b>	<b>21,197,009</b>	<b>20,081,857</b>	<b>90,804</b>	<b>20,172,661</b>
<b>EXPENSES</b>						
Program	18,360,720	-	18,360,720	17,279,751	-	17,279,751
General and administrative	2,826,042	-	2,826,042	2,712,036	-	2,712,036
<b>Total expenses</b>	<b>21,186,762</b>	<b>-</b>	<b>21,186,762</b>	<b>19,991,787</b>	<b>-</b>	<b>19,991,787</b>
Change in net assets before other income (expense)	45,047	(34,800)	10,247	90,070	90,804	180,874
<b>OTHER INCOME (EXPENSE)</b>						
Interest income	225	-	225	256	-	256
Currency exchange gain	5,403	-	5,403	21,162	-	21,162
Interest expense	(20,000)	-	(20,000)	(20,055)	-	(20,055)
Deferred rent expense	(16,500)	-	(16,500)	(24,500)	-	(24,500)
Bad debt	(1,184)	-	(1,184)	(418)	-	(418)
Other expense, net	(32,056)	-	(32,056)	(23,555)	-	(23,555)
Change in net assets	12,991	(34,800)	(21,809)	66,515	90,804	157,319
Net assets, beginning of year	1,452,180	195,316	1,647,496	1,385,665	104,512	1,490,177
<b>Net assets, end of year</b>	<b>\$ 1,465,171</b>	<b>\$ 160,516</b>	<b>\$ 1,625,687</b>	<b>\$ 1,452,180</b>	<b>\$ 195,316</b>	<b>\$ 1,647,496</b>

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, 2013 and 2012

	<u>2013</u>	<u>2012</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (21,809)	\$ 157,319
<i>Adjustments to reconcile change in net assets to net cash provided by (used in) operations</i>		
Depreciation	1,564	1,564
<i>Changes in operating assets and liabilities</i>		
Decrease in contracts and grants receivable	217,304	74,548
Increase in security deposits and other assets	(102,993)	(13,724)
(Increase) decrease in restricted cash	(12,074)	6,199
(Decrease) increase in accounts payable and accrued expenses	(316,250)	21,618
Net cash (used in) provided by operating activities	<u>(234,258)</u>	<u>247,524</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of equipment	-	(7,819)
Net cash used by investing activities	<u>-</u>	<u>(7,819)</u>
Net (decrease) increase in cash	(234,258)	239,705
Cash, beginning of the year	1,104,368	864,663
<b>Cash, end of the year</b>	<u><u>\$ 870,110</u></u>	<u><u>\$ 1,104,368</u></u>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Cash paid during the year for interest	<u><u>\$ 20,000</u></u>	<u><u>\$ 20,055</u></u>

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

## **EAST-WEST MANAGEMENT INSTITUTE, INC.**

Notes to Financial Statements

For the Years Ended December 31, 2013 and 2012

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### **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. 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 2013 and 2012 were as follows:

- Development and implementation of judicial reform, legal aid, and rule of law programs in Bosnia, Cambodia, Ecuador, Georgia, Montenegro, Serbia, Sri Lanka, and Tajikistan;
- Training and support for non-governmental organizations, grassroots networks, public policy, and human rights programs in Bosnia, Cambodia, Georgia, Kyrgyzstan, and Montenegro;
- Training and support for economic and community development in Azerbaijan and Montenegro; and
- Community reconciliation and conflict resolution programs in Fiji.

The Institute also had the following contracts in 2013 and 2012: one contract with the Ministry of Justice of Romania to implement World Bank-funded judicial reform projects; a sub-contract to share best practices on financial sector reform in South Eastern Europe and the Caucasus; a sub-contract to improve alternative dispute resolution mechanisms in Kosovo; and a small contract to assist with economic development in Rwanda.

During 2013 and 2012, the Institute had other programs that were funded through grants from other sources, which included: a program to provide technical assistance for the development of a constitutional court in Kosovo; 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, build foundations of justice, and update the land law textbook in Cambodia; a program to promote transparent development in Cambodia and the Mekong; and a program to promote human rights and rule of law in Burma.

**EAST-WEST MANAGEMENT INSTITUTE, INC.**

Notes to Financial Statements

For the Years Ended December 31, 2013 and 2012

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**NOTE 1 ORGANIZATION** (*continued*)

As described in Note 5, the Institute implements grant-making programs to foster the rule of law, economic development, and a civil society worldwide. These programs are generally funded from various grants, cooperative agreements, contracts and contributions from governments, and private donors.

**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 generally accepted accounting principles (GAAP) in the U.S. as applicable to not-for-profit entities.

Net Asset Classification

The Institute's net assets have been presented and classified as unrestricted and temporarily restricted based on the existence or absence of donor-imposed restrictions.

*Unrestricted*—Resources that are not subject to donor restrictions. Unrestricted amounts 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.

*Temporarily restricted*—Funds that the Institute may use in accordance with donor restrictions for specific purposes or upon the passage of time (see Note 3).

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.

**EAST-WEST MANAGEMENT INSTITUTE, INC.**

Notes to Financial Statements

For the Years Ended December 31, 2013 and 2012

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

Revenue Recognition

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

As of December 31, 2013 and 2012, all amounts due under such grants, cooperative agreements, and contracts were deemed to be fully collectible and, accordingly, no allowance for uncollectibility was required.

Contributions

All unconditional contributions are recorded as revenue when received at their fair value. All contributions are considered available for unrestricted use, unless specifically restricted by the donor. The Institute records contributions as temporarily restricted if they are received with donor stipulations that limit their use either by purpose or by the passage of time. When donor restrictions expire (i.e., when a purpose or time restriction is fulfilled), temporarily restricted net assets are reclassified to unrestricted net assets 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 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 include donated facilities and services of professionals who volunteered 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 these services do not meet 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 not provided by donation.

**EAST-WEST MANAGEMENT INSTITUTE, INC.**

Notes to Financial Statements

For the Years Ended December 31, 2013 and 2012

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

Cash

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

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.

Income Taxes

The Institute is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code (the Code) and from state income taxes.

Management evaluated the Institute's tax positions and concluded that, as of December 31, 2013, there were no uncertain tax positions taken or are 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, 2009.

**EAST-WEST MANAGEMENT INSTITUTE, INC.**

Notes to Financial Statements

For the Years Ended December 31, 2013 and 2012

**NOTE 3      TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets at December 31 consisted of contributions for the following purposes:

	<u>2013</u>	<u>2012</u>
Philanthropication through Privatization (a program for building community-based philanthropic institutions in less-developed countries)	\$ 13,673	\$ 91,407
Updating the Land Law Book for Cambodia	10,859	8,872
Open Development Cambodia Project	130,932	94,037
Kosovo Women's Network	5,052	1,000
	<u>\$ 160,516</u>	<u>\$ 195,316</u>

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

	<u>2013</u>	<u>2012</u>
Philanthropication through Privatization (a program for building community-based philanthropic institutions in less-developed countries)	\$ 158,298	\$ 28,596
Kosovo Women's Network	4,147	-
Support participation of Latin American participants in the Latin America Pre-Trial Advocacy Regional Meeting	-	159
Support for development of public interest law in Cambodia	74,000	70,000
Open Development Cambodia Project	126,384	15,424
	<u>\$ 362,829</u>	<u>\$ 114,179</u>

**EAST-WEST MANAGEMENT INSTITUTE, INC.**

Notes to Financial Statements

For the Years Ended December 31, 2013 and 2012

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**NOTE 4      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 the following: \$29,957,362 in 2013 and \$35,371,910 in 2012 under remaining grants and cooperative agreements; \$2,981,774 in 2013 and \$6,281,701 in 2012 under remaining contracts; and \$740,350 in 2013 and \$1,811,353 in 2012 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, cost-share amounts (see Notes 2 and 5), and other contributions. Matching funds obligated and not yet provided under remaining grants and cooperative agreements totaled \$3,271,353 and \$3,508,454 at December 31, 2013 and 2012, 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 actual indirect costs incurred during the year are accrued and recognized in the financial statements in the year in which the differences actually occur.

During 2013, the Institute's actual indirect costs were higher than the amount billed throughout 2013 using the provisional indirect cost rate. In addition, the Institute's actual fringe benefits rate was higher than the amount billed throughout 2013 using the provisional fringe benefit rate. At December 31, 2013, the federal government and other contractors owed a net total of \$72,166 to the Institute in fringe and indirect cost adjustments for 2013 for its contracts and cooperative agreements. Such amounts have been included in the Institute's revenue and contracts and grants receivable in the accompanying financial statements at December 31, 2013, and will be billed and are expected to be collected in 2014 after the USAID's final approval of the indirect cost rate.

During 2012, the Institute's actual indirect costs incurred under these contracts, cooperative agreements, and grants were lower than the amount billed using the provisional indirect cost rate by a net amount of \$119,091. This amount was presented as a reduction of grants and contracts receivable in the accompanying financial statements at December 31, 2013 and 2012, and will be credited back to the funding organizations or applied against subsequent billings in 2014 following the USAID's approval of the final indirect cost rate in 2013.

**EAST-WEST MANAGEMENT INSTITUTE, INC.**

Notes to Financial Statements

For the Years Ended December 31, 2013 and 2012

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**NOTE 5 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 non-governmental organizations (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 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 \$7,547,649 in 2013 and \$6,324,687 in 2012 to local NGOs and other groups. Sub-grantees' cost share under these programs totaled \$1,068,583 in 2013 and \$848,731 in 2012.

**NOTE 6 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 0% and 1.44% of all qualified employees' compensation to the revenue-sharing component of the Plan during 2013 and 2012, respectively. The Institute's total contributions to the Plan were approximately \$89,200 in 2013 and \$141,000 in 2012. 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, 2013 and 2012

**NOTE 7      FUNCTIONAL EXPENSES**

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

	<b>Year Ended December 31, 2013</b>		
	<b>Program</b>	<b>General and Administrative</b>	<b>Total</b>
Salaries and employee benefits	\$ 6,081,266	\$ 1,984,768	\$ 8,066,034
Consultants and related expenses	1,438,515	132,694	1,571,209
Rent	416,822	233,661	650,483
Office expense and supplies	321,858	53,940	375,798
Depreciation	-	1,564	1,564
Travel and meals	359,123	160,638	519,761
Insurance	34,186	67,515	101,701
Overseas allowances	362,891	-	362,891
Grants and sub-contracts	8,366,398	-	8,366,398
Messengers and postage	19,914	2,935	22,849
Noncapitalized equipment	81,164	12,221	93,385
Telecommunications	74,677	12,693	87,370
Other professional services	56,528	133,634	190,162
Meetings and trainings	666,723	2,833	669,556
Miscellaneous	80,655	26,946	107,601
Expenses as presented in the statements of activities	<u>18,360,720</u>	<u>2,826,042</u>	<u>21,186,762</u>
Other expense			
Interest	-	20,000	20,000
Deferred rent	-	16,500	16,500
Bad debt	-	1,184	1,184
	<u>-</u>	<u>37,684</u>	<u>37,684</u>
<b>Total</b>	<u><u>\$ 18,360,720</u></u>	<u><u>\$ 2,863,726</u></u>	<u><u>\$ 21,224,446</u></u>

**EAST-WEST MANAGEMENT INSTITUTE, INC.**

## Notes to Financial Statements

For the Years Ended December 31, 2013 and 2012

**NOTE 7      FUNCTIONAL EXPENSES (continued)**

	<b>Year Ended December 31, 2012</b>		
	<b>Program</b>	<b>General and Administrative</b>	<b>Total</b>
Salaries and employee benefits	\$ 5,847,732	\$ 1,921,427	\$ 7,769,159
Consultants and related expenses	1,700,331	77,994	1,778,325
Rent	394,217	216,381	610,598
Office expense and supplies	340,780	68,486	409,266
Depreciation	-	1,564	1,564
Travel and meals	362,579	155,835	518,414
Insurance	45,108	60,701	105,809
Overseas allowances	415,674	106	415,780
Grants and sub-contracts	7,253,874	-	7,253,874
Messengers and postage	20,324	3,516	23,840
Noncapitalized equipment	75,807	10,492	86,299
Telecommunications	68,282	12,666	80,948
Other professional services	34,171	164,710	198,881
Meetings and trainings	661,832	3,059	664,891
Miscellaneous	59,040	15,099	74,139
Expenses as presented in the statements of activities	<u>17,279,751</u>	<u>2,712,036</u>	<u>19,991,787</u>
Other expense			
Interest	-	20,055	20,055
Deferred rent	-	24,500	24,500
Bad debt	-	418	418
	<u>-</u>	<u>44,973</u>	<u>44,973</u>
<b>Total</b>	<u>\$ 17,279,751</u>	<u>\$ 2,757,009</u>	<u>\$ 20,036,760</u>

**NOTE 8      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 a revolving line of credit (the Facility) to the Institute in the amount of \$1,000,000 (the Facility Commitment). The Facility ends on September 19, 2014 (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 Foundation is subject to an unused commitment fee of 1.85%.

**EAST-WEST MANAGEMENT INSTITUTE, INC.**

Notes to Financial Statements

For the Years Ended December 31, 2013 and 2012

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**NOTE 8 COMMITMENTS AND CONTINGENCIES** *(continued)*

Loan Agreement *(continued)*

Pursuant to the Agreement, the Institute obtained a loan (the Loan) of \$1,000,000 and issued a promissory note dated September 19, 2013, payable on a date not later than the Facility Expiration Date. The Loan bears interest calculated daily using the British Bankers Association London Interbank Offered Rate (BBA LIBOR) plus 1.85%.

The proceeds of the Loan were used to pay the loans payable to the Soros Economic Development Fund totaling \$1,000,000, which were due on December 31, 2013 and carried a fixed interest rate of 2% a year. Interest expense in 2013 and 2012 totaled \$20,000 and \$20,050, 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 Guarantor). A director of the Institute, who did not participate in the negotiation or execution of the guaranty, was employed during 2013 by the Guarantor.

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

Leases

The Institute leases office space in New York, Washington, D.C. and various foreign locations. The New York office space is under a 10-year sub-lease that commenced on June 1, 2011 and will terminate on May 31, 2021, unless the prime lease is terminated earlier. The Washington, D.C. office space is a under a three-year lease, expiring in 2016. The leases in foreign locations have terms terminating on various dates from 2014 to 2016.

Annual future minimum payments under the leases are as follows:

<u>Year Ending</u> <u>December 31,</u>	<u>New York</u>	<u>Washington,</u> <u>D.C.</u>	<u>Foreign</u> <u>Locations</u>	<u>Total</u>
2014	\$ 187,000	\$ 33,881	\$ 259,499	\$ 480,380
2015	192,000	35,575	100,915	328,490
2016	192,000	24,494	53,543	270,037
2017	206,000	-	-	206,000
2018	216,000	-	-	216,000
Thereafter	522,000	-	-	522,000
	<u>\$ 1,515,000</u>	<u>\$ 93,950</u>	<u>\$ 413,957</u>	<u>\$ 2,022,907</u>

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

**EAST-WEST MANAGEMENT INSTITUTE, INC.**

Notes to Financial Statements

For the Years Ended December 31, 2013 and 2012

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**NOTE 8      COMMITMENTS AND CONTINGENCIES** *(continued)*

Grants, Cooperative Agreements, and Contracts

The Institute is obligated to provide matching funding under certain U.S. Government grants and cooperative agreements. Such obligations under the remaining grants and cooperative agreements at December 31, 2013 totaled \$3,271,353 (see Note 4).

Certain 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 9      CONCENTRATION OF RISK**

The Institute received approximately 92% of its total revenue in 2013 and 2012 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.

**NOTE 10     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 26, 2014, 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.