

EAST-WEST MANAGEMENT INSTITUTE, INC.

**Financial Statements
For the Years Ended December 31, 2015 and 2014
With Independent Auditor's Report**



MITCHELL TITUS
ACHIEVING EXCELLENCE TOGETHER

EAST-WEST MANAGEMENT INSTITUTE, INC.
For the Years Ended December 31, 2015 and 2014

TABLE OF CONTENTS

	<u>Page(s)</u>
INDEPENDENT AUDITOR'S REPORT	1-2
FINANCIAL STATEMENTS	
Statements of Financial Position	3
Statements of Activities	4
Statements of Cash Flows	5
Notes to Financial Statements	6-16



INDEPENDENT AUDITOR'S REPORT

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, 2015 and 2014, 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 accounting principles generally accepted in the United States of America; 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 of America. 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.

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MITCHELL TITUS

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, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Mitchell Titus, LLP

June 30, 2016

EAST-WEST MANAGEMENT INSTITUTE, INC.

Statements of Financial Position

As of December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
ASSETS		
Cash	\$ 254,964	\$ 725,734
Contracts and grants receivable	1,563,415	2,101,672
Contributions receivable	443,425	-
Security deposits and other assets	196,725	185,978
Restricted cash	14,218	13,741
Property and equipment, net	1,563	3,127
Total assets	<u><u>\$ 2,474,310</u></u>	<u><u>\$ 3,030,252</u></u>
LIABILITIES AND NET ASSETS		
Accounts payable and accrued expenses	\$ 436,644	\$ 583,486
Deferred revenue	56,734	-
Loan payable	250,000	1,000,000
Total liabilities	<u>743,378</u>	<u>1,583,486</u>
Commitments		
<i>Net assets</i>		
Unrestricted	1,078,646	1,347,136
Temporarily restricted	652,286	99,630
Total net assets	<u>1,730,932</u>	<u>1,446,766</u>
Total liabilities and net assets	<u><u>\$ 2,474,310</u></u>	<u><u>\$ 3,030,252</u></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, 2015 and 2014

	2015			2014		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
REVENUE AND RECLASSIFICATIONS						
U.S. government grants and cooperative agreements	\$ 10,283,548	\$ -	\$ 10,283,548	\$ 14,858,548	\$ -	\$ 14,858,548
U.S. government contracts	4,997	-	4,997	2,799,929	-	2,799,929
Contributed services	210,411	-	210,411	171,614	-	171,614
Other contracts	1,177	-	1,177	9,680	-	9,680
Other grants and contributions	143,078	861,360	1,004,438	126,170	333,167	459,337
Other revenue	-	-	-	144	-	144
Net assets released from restrictions	308,704	(308,704)	-	394,053	(394,053)	-
Total revenue	<u>10,951,915</u>	<u>552,656</u>	<u>11,504,571</u>	<u>18,360,138</u>	<u>(60,886)</u>	<u>18,299,252</u>
EXPENSES						
Program	9,338,118	-	9,338,118	15,845,640	-	15,845,640
General and administrative	1,863,318	-	1,863,318	2,596,629	-	2,596,629
Total expenses	<u>11,201,436</u>	<u>-</u>	<u>11,201,436</u>	<u>18,442,269</u>	<u>-</u>	<u>18,442,269</u>
Change in net assets before other income (expense)	(249,521)	552,656	303,135	(82,131)	(60,886)	(143,017)
OTHER INCOME (EXPENSE)						
Interest income	147	-	147	244	-	244
Currency exchange gain (loss)	18	-	18	(2,100)	-	(2,100)
Interest expense	(8,577)	-	(8,577)	(21,438)	-	(21,438)
Deferred rent expense	(4,500)	-	(4,500)	(9,500)	-	(9,500)
Bad debt	(6,057)	-	(6,057)	(3,110)	-	(3,110)
Other expense, net	(18,969)	-	(18,969)	(35,904)	-	(35,904)
Change in net assets	(268,490)	552,656	284,166	(118,035)	(60,886)	(178,921)
Net assets, beginning of year	1,347,136	99,630	1,446,766	1,465,171	160,516	1,625,687
Net assets, end of year	<u>\$ 1,078,646</u>	<u>\$ 652,286</u>	<u>\$ 1,730,932</u>	<u>\$ 1,347,136</u>	<u>\$ 99,630</u>	<u>\$ 1,446,766</u>

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, 2015 and 2014

	<u>2015</u>	<u>2014</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 284,166	\$ (178,921)
<i>Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities</i>		
Depreciation	1,564	1,564
<i>Changes in operating assets and liabilities</i>		
Decrease (increase) in contracts and grants receivable	538,257	(190,850)
(Increase) in contributions receivable	(443,425)	-
(Increase) decrease in security deposits and other assets	(10,747)	113,400
(Increase) decrease in restricted cash	(477)	45,692
(Decrease) increase in accounts payable and accrued expenses	(146,842)	64,739
Increase deferred revenue	56,734	-
Net cash provided by (used in) operating activities	<u>279,230</u>	<u>(144,376)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal paid on loan	<u>(750,000)</u>	-
Net cash used in financing activities	<u>(750,000)</u>	-
Net decrease in cash	(470,770)	(144,376)
Cash, beginning of the year	725,734	870,110
Cash, end of the year	<u><u>\$ 254,964</u></u>	<u><u>\$ 725,734</u></u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during the year for interest	<u><u>\$ 8,577</u></u>	<u><u>\$ 21,438</u></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, 2015 and 2014

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 2015 and 2014 were as follows:

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

During 2015 and 2014, the Institute had other programs that were funded through grants from other sources, which 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, build foundations of justice, and update the land law textbook in Cambodia; a program to promote transparent development and land use in Cambodia and the Mekong; a program to promote human rights and rule of law in Burma; and a program to reduce pre-trial detention in Liberia.

The Institute also had a contract with Arizona State University for the Albania Green Schools Project in 2015 and 2014.

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 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.

EAST-WEST MANAGEMENT INSTITUTE, INC.
Notes to Financial Statements
For the Years Ended December 31, 2015 and 2014

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

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 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 the cooperative agreements are recorded as revenue when expenditures are incurred and are billable to the government.

As of December 31, 2015 and 2014, 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. The fair value of long-term receivables is measured based on the present value of future cash flows, with consideration of the expectation about possible variations in the amount and/or timing of the cash flows, the donors' credit risk and other specific factors that would be considered by market participants.

EAST-WEST MANAGEMENT INSTITUTE, INC.
Notes to Financial Statements
For the Years Ended December 31, 2015 and 2014

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 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 services of 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 not provided by donation.

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.

EAST-WEST MANAGEMENT INSTITUTE, INC.
Notes to Financial Statements
For the Years Ended December 31, 2015 and 2014

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

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, 2015, 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, 2011.

NOTE 3 CONTRIBUTIONS RECEIVABLE

Contributions receivable at December 31, 2015 were expected to be collected as follows:

Less than one year	\$ 303,425
One to five years	<u>140,000</u>
	<u>\$ 443,425</u>

The fair value adjustment on the amounts due in more than one year at the time of the contribution was not material.

NOTE 4 DEFERRED REVENUE

The Institute were awarded the following grants in 2015. Funds received were recorded as deferred revenue and recognized as revenue based on expenditures incurred.

	<u>Funds Received</u>	<u>Recognized as Revenue</u>	<u>Deferred Revenue</u>
The Land Portal Foundation	\$ 10,049	\$ -	\$ 10,049
The Mekong Regional Land Governance Project by Land Equity International Pty, Ltd.	<u>50,000</u>	<u>3,315</u>	<u>46,685</u>
	<u>\$ 60,049</u>	<u>\$ 3,315</u>	<u>\$ 56,734</u>

There was no deferred revenue at December 31, 2014.

EAST-WEST MANAGEMENT INSTITUTE, INC.
Notes to Financial Statements
For the Years Ended December 31, 2015 and 2014

NOTE 5 TEMPORARILY RESTRICTED NET ASSETS

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

	<u>2015</u>	<u>2014</u>
Philanthropication through Privatization (a program for building community-based philanthropic institutions in less-developed countries)	\$ 341,918	\$ 11,852
Centre for Peace and Conflict Studies	573	-
Making All Voices Count – Liberia – Hivos/USAID	22,608	54,921
Prison Fellowship Liberia donations	1,000	-
Support for development of public interest law in Cambodia	74,000	-
Open Development Initiative – MacArthur Grant	190,962	-
Open Development Cambodia Project	21,225	31,890
Kosovo Women’s Network	-	967
	<u>\$ 652,286</u>	<u>\$ 99,630</u>

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

	<u>2015</u>	<u>2014</u>
Philanthropication through Privatization (a program for building community-based philanthropic institutions in less-developed countries)	\$ 64,935	\$ 106,846
Kosovo Women’s Network	11,108	2,557
Updating the Land Law Book for Cambodia	-	10,859
Making All Voices Count	32,313	9,080
British Embassy (printing books)	-	7,043
Prison Fellowship Liberia donations	-	7,406
Support for development of public interest law in Cambodia	74,000	89,000
Open Development Initiative – MacArthur Grant	9,038	-
Open Development Cambodia Project	117,310	161,262
	<u>\$ 308,704</u>	<u>\$ 394,053</u>

EAST-WEST MANAGEMENT INSTITUTE, INC.

Notes to Financial Statements

For the Years Ended December 31, 2015 and 2014

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 the following: \$28,231,203 in 2015 and \$20,942,718 in 2014 under remaining grants and cooperative agreements; \$181,844 in 2014 under remaining contracts; and \$116,385 in 2015 and \$526,816 in 2014 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 \$2,863,008 and \$2,542,522 at December 31, 2015 and 2014, 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 differences occur.

During 2015, the Institute's actual indirect costs were higher than the amount billed throughout 2015 using the provisional indirect cost rate. At December 31, 2015, the federal government and other contractors owed a net total of \$238,704 to the Institute in indirect cost adjustments for 2015 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, 2015, and are expected to be collected in 2016 after the USAID's final approval of the indirect cost rate.

During 2014, the Institute's actual indirect costs were higher than the amount billed throughout 2014 using the provisional indirect cost rate. At December 31, 2014, the federal government and other contractors owed a net total of \$24,234 to the Institute in indirect cost adjustments for 2014 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, 2014, and were subsequently collected after the USAID's final approval of the indirect cost rate.

EAST-WEST MANAGEMENT INSTITUTE, INC.
Notes to Financial Statements
For the Years Ended December 31, 2015 and 2014

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 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 \$3,835,801 in 2015 and \$6,362,282 in 2014 to local NGOs and other groups. Sub-grantees' cost share under these programs totaled \$533,298 in 2015 and \$1,511,019 in 2014.

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 0.54% and 0.71% of all qualified employees' compensation to the revenue-sharing component of the Plan during 2015 and 2014, respectively. The Institute's total contributions to the Plan were approximately \$74,404 in 2015 and \$107,400 in 2014. 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, 2015 and 2014

NOTE 9 FUNCTIONAL EXPENSES

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

	Year Ended December 31, 2015		
	Program	General and Administrative	Total
Salaries and employee benefits	\$ 3,327,758	\$ 1,223,275	\$ 4,551,033
Consultants and related expenses	798,462	134,639	933,101
Rent	245,957	160,807	406,764
Office expense and supplies	133,418	52,605	186,023
Depreciation	-	1,564	1,564
Travel and meals	219,953	85,229	305,182
Insurance	9,814	54,476	64,290
Overseas allowances	209,218	-	209,218
Grants and sub-contracts	3,948,904	-	3,948,904
Messengers and postage	8,570	1,782	10,352
Noncapitalized equipment	37,201	9,980	47,181
Telecommunications	39,806	14,216	54,022
Other professional services	5,571	101,071	106,642
Meetings and trainings	299,762	3,215	302,977
Miscellaneous	53,724	20,459	74,183
Expenses as presented in the statements of activities	<u>9,338,118</u>	<u>1,863,318</u>	<u>11,201,436</u>
<i>Other expenses</i>			
Interest	-	8,577	8,577
Deferred rent	-	4,500	4,500
Bad debt	-	6,057	6,057
	<u>-</u>	<u>19,134</u>	<u>19,134</u>
Total	<u><u>\$ 9,338,118</u></u>	<u><u>\$ 1,882,452</u></u>	<u><u>\$ 11,220,570</u></u>

EAST-WEST MANAGEMENT INSTITUTE, INC.
Notes to Financial Statements
For the Years Ended December 31, 2015 and 2014

NOTE 9 FUNCTIONAL EXPENSES *(continued)*

	Year Ended December 31, 2014		
	Program	General and Administrative	Total
Salaries and employee benefits	\$ 5,299,965	\$ 1,880,571	\$ 7,180,536
Consultants and related expenses	1,208,890	112,860	1,321,750
Rent	383,156	220,489	603,645
Office expense and supplies	297,378	56,543	353,921
Depreciation	-	1,564	1,564
Travel and meals	310,426	90,918	401,344
Insurance	24,160	86,315	110,475
Overseas allowances	323,985	-	323,985
Grants and sub-contracts	7,118,275	-	7,118,275
Messengers and postage	20,600	1,876	22,476
Noncapitalized equipment	82,066	5,139	87,205
Telecommunications	61,847	12,985	74,832
Other professional services	58,890	101,847	160,737
Meetings and trainings	547,228	4,527	551,755
Miscellaneous	108,774	20,995	129,769
Expenses as presented in the statements of activities	15,845,640	2,596,629	18,442,269
<i>Other expenses</i>			
Interest	-	21,438	21,438
Deferred rent	-	9,500	9,500
Bad debt	-	3,110	3,110
	-	34,048	34,048
Total	\$ 15,845,640	\$ 2,630,677	\$ 18,476,317

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 December 31, 2016 (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 (BBA LIBOR) plus 1.85%. Interest expense in 2015 and 2014 totaled \$8,577 and \$21,438, 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).

EAST-WEST MANAGEMENT INSTITUTE, INC.
Notes to Financial Statements
For the Years Ended December 31, 2015 and 2014

NOTE 10 COMMITMENTS AND CONTINGENCIES *(continued)*

Loan Agreement *(continued)*

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 NYO sublease). 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 2015 to 2021.

A portion of the New York office space was sublet, effective November 1, 2014 (the Sub-sublease). The Sub-sublease will terminate on May 31, 2021, unless the NYO sublease or the prime lease is terminated earlier. The sub-subtenant also has the right to terminate the Sub-sublease on not less than six months' prior written notice to the Institute.

Annual future minimum rental payments and income under the leases and subleases are as follows:

Year Ending December 31	Rental Payments				NYO Sub- sublease Income
	NYO Sublease	Washington, D.C.	Foreign Locations	Total	
2016	\$ 192,000	\$ 24,494	\$ 253,828	\$ 470,322	\$ 60,000
2017	206,000	-	174,762	380,762	65,250
2018	216,000	-	135,214	351,214	69,000
2019	216,000	-	106,000	322,000	69,000
2020	216,000	-	-	216,000	69,000
2021 and thereafter	90,000	-	-	90,000	34,500
	<u>\$ 1,136,000</u>	<u>\$ 24,494</u>	<u>\$ 669,804</u>	<u>\$ 1,830,298</u>	<u>\$ 366,750</u>

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

Rent expense for years ended 2015 and 2014 was \$406,764 and \$603,645, respectively. Sublease income of \$72,000 in 2015 was netted against 2015 rent expense.

EAST-WEST MANAGEMENT INSTITUTE, INC.
Notes to Financial Statements
For the Years Ended December 31, 2015 and 2014

NOTE 10 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, 2015 totaled \$2,863,008 (see Note 6).

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 11 CONCENTRATION OF RISK

The Institute received approximately 88% and 95% of its total revenue in 2015 and 2014, 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.

NOTE 12 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, 2016, 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.

