

EAST-WEST MANAGEMENT INSTITUTE, INC.

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023

EAST-WEST MANAGEMENT INSTITUTE, INC.

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
East-West Management Institute, Inc.

Opinion

We have audited the financial statements of East-West Management Institute, Inc., which comprise the statement of financial position as of December 31, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of East-West Management Institute, Inc. as of December 31, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of East-West Management Institute, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. 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 East-West Management Institute Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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 East-West Management Institute Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about East-West Management Institute Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Marcum LLP

Melville, NY
July 18, 2024

EAST-WEST MANAGEMENT INSTITUTE, INC.

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2023

Assets

Cash	\$ 1,501,297
Contracts and grants receivable	1,660,614
Contributions receivable	378,541
Prepaid expenses	260,696
Security deposits and other assets	78,361
Operating lease right-of-use assets, less accumulated amortization	1,589,093
Property and equipment - at cost, less accumulated depreciation and amortization	<u>25,321</u>

Total Assets \$ 5,493,923

Liabilities and Net Assets

Liabilities

Accounts payable and accrued expenses	\$ 1,137,938
Operating lease liabilities	1,592,521
Deferred revenue	<u>164,727</u>

Total Liabilities \$ 2,895,186

Net Assets

Without donor restrictions	962,350
With donor restrictions	<u>1,636,387</u>

Total Net Assets 2,598,737

Total Liabilities and Net Assets \$ 5,493,923

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

EAST-WEST MANAGEMENT INSTITUTE, INC.

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Public Support and Revenues			
U.S. Government grants and cooperative agreements	\$ 25,060,024	\$ --	\$ 25,060,024
Contributed services	392,550	--	392,550
Other contracts	208,816	--	208,816
Other grants and contributions	269,168	1,131,739	1,400,907
Net assets released from donor restrictions	<u>865,667</u>	<u>(865,667)</u>	<u>--</u>
Total Public Support and Revenues	<u>26,796,225</u>	<u>266,072</u>	<u>27,062,297</u>
Expenses			
Program	23,667,678	--	23,667,678
General and administrative	<u>3,150,911</u>	<u>--</u>	<u>3,150,911</u>
Total Expenses	<u>26,818,589</u>	<u>--</u>	<u>26,818,589</u>
Change in Net Assets Before Other Income (Expenses)	<u>(22,364)</u>	<u>266,072</u>	<u>243,708</u>
Other Income (Expenses)			
Interest income	28,706	--	28,706
Interest expense	(14,804)	--	(14,804)
Bad debt	<u>(10,128)</u>	<u>--</u>	<u>(10,128)</u>
Other Income, Net	<u>3,774</u>	<u>--</u>	<u>3,774</u>
Change in Net Assets	(18,590)	266,072	247,482
Net Assets, Beginning of Year	<u>980,940</u>	<u>1,370,315</u>	<u>2,351,255</u>
Net Assets, End of Year	<u><u>\$ 962,350</u></u>	<u><u>\$ 1,636,387</u></u>	<u><u>\$ 2,598,737</u></u>

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

EAST-WEST MANAGEMENT INSTITUTE, INC.

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2023

	Program	General and Administrative	Total
Expenses			
Salaries and employee benefits	\$ 7,749,233	\$ 2,409,349	\$ 10,158,582
Consultants and related expenses	1,645,833	30,961	1,676,794
Rent	370,032	190,136	560,168
Office expense and supplies	238,549	66,085	304,634
Depreciation and amortization	--	8,187	8,187
Travel and meals	270,923	81,201	352,124
Insurance	9,718	104,545	114,263
Overseas allowances	352,340	185	352,525
Grants and subcontracts	11,854,283	--	11,854,283
Messengers and postage	1,041	928	1,969
Noncapitalized equipment	74,314	76,302	150,616
Telecommunications	51,805	11,820	63,625
Other professional services	26,375	88,705	115,080
Meetings and trainings	967,396	8,422	975,818
Miscellaneous	55,836	74,085	129,921
Total Expenses	<u>23,667,678</u>	<u>3,150,911</u>	<u>26,818,589</u>
Other Expenses			
Interest	--	14,804	14,804
Bad debt	--	10,128	10,128
Total Other Expenses	<u>--</u>	<u>24,932</u>	<u>24,932</u>
Total	<u>\$ 23,667,678</u>	<u>\$ 3,175,843</u>	<u>\$ 26,843,521</u>

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

EAST-WEST MANAGEMENT INSTITUTE, INC.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2023

Cash Flows From Operating Activities

Change in net assets	\$ 247,482
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Depreciation and amortization	8,187
Bad debt	10,128
Changes in assets and liabilities	
Contracts and grants receivable	540,273
Contributions receivable	(43,958)
Prepaid expenses	(49,420)
Security deposits and other assets	12,261
Amortization of right-of-use assets - operating leases	300,677
Accounts payable and accrued expenses	393,335
Operating lease liabilities	(297,249)
Deferred revenue	<u>(113,010)</u>

Net Cash Provided by Operating Activities \$ 1,008,706

Cash Flows From Investing Activity

Acquisition of property and equipment (22,367)

Net Increase in Cash 986,339

Cash, Beginning of Year 514,958

Cash, End of Year \$ 1,501,297

Supplemental Cash Flow Disclosures

Interest paid \$ 14,804

Noncash Operating Activity

Right-of-use asset exchanged for lease liability \$ 855,747

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

EAST-WEST MANAGEMENT INSTITUTE, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023

NOTE 1 - ORGANIZATION AND NATURE OF ACTIVITIES

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 (“IRC”). The Institute was established to promote and foster democracy and economic development throughout the world by supporting a variety of educational, legal and economic development activities.

The Institute’s government revenue arises primarily from contracts, cooperative agreements, and grants from the United States Agency for International Development (the “USAID”) and the U.S. Department of State (collectively, the U.S. Government). Programs covered by these contracts, cooperative agreements, and grants in 2023 were as follows:

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

During 2023, the Institute had other programs that were funded through grants from other sources. They included grants to support open data and transparent development in Asia and Kosovo; a grant to support research for the global index for responsible AI in Asia; a grant to manage research on non-profit economic data in the U.S.; a grant to support the development of a story telling platform for women in the Mekong region; a grant to support freedom of expression in Malaysia; a grant to support indigenous data initiatives in Asia; a project to explore and promote the option for building community-based philanthropic endowments; and a grant to support civic engagement in Georgia.

The Institute also implemented contracts in 2023 to support Landesa’s land and forestry programs in the Mekong region, a contract to support research on efforts to counter disinformation in Asia, and a contract to manage research on women in peacebuilding in Cambodia.

As described in Note 10, 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 YEAR ENDED DECEMBER 31, 2023

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING AND PRESENTATION

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

The financial statements presentation is in accordance with Financial Accounting Standards Board Accounting Standards Codification ("FASB ASC") 958, *Not-for-Profit Entities*. Under FASB ASC 958, the Institute is required to report information regarding its financial position and activities according to two classes of net assets: those without donor restrictions and those with donor restrictions. Net assets without donor restrictions are those net assets that are not subject to donor-imposed 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. Net assets with donor restrictions are subject to donor stipulations that limit the use of their contributions, which either expire by the passage of time or when used for specified purposes.

USE OF ESTIMATES

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

CASH

Cash balances in banks are insured by the Federal Deposit Insurance Corporation, subject to certain limitations. The Institute maintains cash balances that may exceed federally insured limits. The Institute has not experienced any account losses.

RECEIVABLES

Unconditional promises to give (including unconditional grants, cooperative agreements, contracts and contributions) that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are initially recorded at fair value determined using the discounted present value of estimated future cash flows technique. The resulting discount is amortized and reported as revenue.

EAST-WEST MANAGEMENT INSTITUTE, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

RECEIVABLES (CONTINUED)

An allowance for doubtful accounts is determined based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Amounts are written off when deemed uncollectable. As of December 31, 2023, management has determined that no allowance for doubtful accounts was necessary.

LEASES

In accordance with FASB ASC 842, *Leases*, the Institute recognizes right-of-use (“ROU”) assets and lease liabilities on the statement of financial position. ROU assets represent the Institute’s right to use an underlying asset for the lease term and lease liabilities represent the Institute’s obligation to make lease payments arising from the lease. The statement of financial position includes operating lease ROU assets and liabilities, which are recognized at the lease commencement date based on the present value of lease payments over the lease term. As permitted under FASB ASC 842, for leases with a term of 12 months or less, the Institute elected not to recognize ROU assets and lease liabilities on the statement of financial position.

In determining the discount rate used to measure ROU assets and lease liabilities, the Institute uses rates implicit in the lease, or if not readily available, the Institute uses its incremental borrowing rate or the risk-free rate as the discount rate based on the information available at the commencement date in determining the present value of lease payments.

PROPERTY AND EQUIPMENT

Property and equipment are recorded at cost less accumulated depreciation and amortization. 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. Leasehold improvements are amortized over the estimated useful life or term of the lease, whichever is shorter. The Institute capitalizes all property and equipment acquisitions in excess of \$5,000.

EAST-WEST MANAGEMENT INSTITUTE, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

REVENUE RECOGNITION

Grants, Contracts, Cooperative Agreements and Contributions

Unconditional contributions (including grants, contracts and cooperative agreements) are recognized at fair value when received or when an unconditional promise has been made. Contributions are considered conditional when the underlying agreement includes a performance barrier and a right of return or a right to release promised assets exists. Conditional promises to give are not recognized until the performance barrier and the right of return or release have been overcome.

All unconditional 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 statement of activities as net assets released from restrictions.

Contributed Services

Contributed services that meet the appropriate criteria are recorded as both in-kind 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. The fair value of contributed services is determined based on the actual costs incurred by the donor if they were to charge the Institute for their services. Contributions of facilities for trainings and conferences are valued at the donor's independent valuation of the space utilized by the Institute.

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;
- b. Require specialized skills provided by individuals possessing those skills;
- c. Would typically need to be purchased if they were not donated.

EAST-WEST MANAGEMENT INSTITUTE, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 and State income tax under IRC Section 501(c)(3) and similar state provisions and is classified as a publicly supported charitable organization as described in IRC Section 509(a).

UNCERTAIN TAX POSITIONS

The Institute recognizes and measures its unrecognized tax positions and assesses the likelihood, based on their technical merit, that tax positions will be sustained upon examination based on the facts, circumstances and information available at the end of each period.

The measurement of unrecognized tax positions is adjusted when new information is available, or when an event occurs that requires a change. Interest and penalties associated with unrecognized tax positions, if any, would be classified as interest expense and additional income taxes, respectively, in the statement of activities. The Institute did not identify any uncertain tax positions for the year ended December 31, 2023. The Institute is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any periods pending or in progress.

SUBSEQUENT EVENTS

These financial statements were approved by management and available for issuance on July 18, 2024. Management has evaluated subsequent events through this date.

EAST-WEST MANAGEMENT INSTITUTE, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023

NOTE 3 - LIQUIDITY AND AVAILABILITY OF RESOURCES

Financial assets available for general expenditure, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

Cash	\$ 1,501,297
Contracts and grants receivable	1,660,614
Contributions receivable	<u>378,541</u>

Total Financial Assets Available for General Expenditure Within One Year	<u>\$ 3,540,452</u>
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As part of the Institute's liquidity management plan, the Institute structures its assets to be available as general expenditures, liabilities and other obligations become due. The Institute maintains sufficient cash to meet its operating requirements and regularly monitors liquidity required to meet its operating needs and other contractual commitments. In addition to financial assets available to meet general expenditures over the next year, the Institute operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources.

NOTE 4 - CONTRIBUTIONS RECEIVABLE

Contributions receivable at December 31, 2023 are expected to be collected in less than one year.

NOTE 5 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following as of December 31, 2023:

Leasehold improvements	\$ 22,367
Computer equipment	<u>18,568</u>
	40,935
Less - Accumulated depreciation and amortization	<u>(15,614)</u>
	<u>\$ 25,321</u>

EAST-WEST MANAGEMENT INSTITUTE, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023

NOTE 6 - DEFERRED REVENUE

Funds under the following conditional grants and contributions were recorded as deferred revenue and are recognized as revenue based on expenditures incurred which is when the conditions have been met:

	2023			
	Opening Balance	Funds Received	Revenue Recognized	Deferred Revenue (Receivable)
National Endowment for Democracy (NED)	\$ 43,452	\$ 192,750	\$ 189,747	\$ 46,455
New America Foundation	15,525	--	15,525	--
Stockholm University –Spider	33,045	8,996	46,782	(4,741)
Luminate	100,255	1,884	102,139	--
Luminate II	85,460	--	85,460	--
Landesa	<u>--</u>	<u>290,000</u>	<u>166,987</u>	<u>123,013</u>
Total	<u>\$ 277,737</u>	<u>\$ 493,630</u>	<u>\$ 606,640</u>	<u>\$ 164,727</u>

NOTE 7 - NET ASSETS WITH DONOR RESTRICTIONS

The following summarizes the changes in net assets with donor restrictions for the year ended December 31, 2023:

Program	Balance, January 1, 2023	Contributions	Released from Restrictions	Balance December 31, 2023
Purpose Restricted				
Luminate	\$ 576,053	\$ 675,110	\$ (543,768)	\$ 707,395
Luminate II	--	202,500	(26,933)	175,567
Foundation to Promote Open Society	180,188	--	(81,714)	98,474
Slovak Agency	173,184	--	(55,317)	117,867
International Development Research Center (IDRC)	417,756	230,331	(135,417)	512,670
Partner Legacy Support Fund				
Donations	<u>23,134</u>	<u>23,798</u>	<u>(22,518)</u>	<u>24,414</u>
Total	<u>\$ 1,370,315</u>	<u>\$ 1,131,739</u>	<u>\$ (865,667)</u>	<u>\$ 1,636,387</u>

EAST-WEST MANAGEMENT INSTITUTE, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023

NOTE 8 - GOVERNMENT GRANTS, COOPERATING 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 December 31, 2023, total funds available consisted of \$68,717,733 under remaining grants and cooperative agreements and \$970,899 under remaining sub-awards. These funds will be recognized as revenue when the conditions have been met.

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 10), and other contributions. Matching funds obligated and not yet provided under remaining grants and cooperative agreements totaled \$4,011,093 as of December 31, 2023.

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 2023, the Institute's actual indirect costs were lower than the amount billed throughout 2023, using the provisional indirect cost rate, by a net amount of \$106,370. This amount was presented as a reduction of grants and contracts receivable in the accompanying financial statements at December 31, 2023, and will be deducted from the 2025 billing to the USAID and the U.S. Department of State after approval of the final indirect cost rate by the USAID.

NOTE 9 - CONTRIBUTED SERVICES

For the year ended December 31, 2023, contributed services recognized within the statement of activities included the following:

Consulting and other pro bono services	\$ 271,910
Trainings and conferences	115,971
Office expenses	<u>4,669</u>
Total	<u>\$ 392,550</u>

EAST-WEST MANAGEMENT INSTITUTE, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023

NOTE 10 - 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 \$11,301,233 in 2023 to local NGOs and other groups. Sub-grantees' cost share under these programs totaled \$519,420 in 2023.

NOTE 11 - EMPLOYEE BENEFIT PLAN

The Institute maintains a defined contribution plan (the "Plan") under IRC Section 401(k), 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 6.59% of all qualified employees' compensation to the revenue-sharing component of the Plan during 2023. The Institute's total contributions to the Plan were \$313,722 in 2023. An officer of the Institute serves as the Plan's trustee.

NOTE 12 - COMMITMENTS AND CONTINGENCIES

REVOLVING LINE OF CREDIT

On September 19, 2013, the Institute entered into an agreement with Bank of America, N.A. ("BOA"), whereby BOA provided the Institute with a revolving line of credit (the "Facility") in the amount of \$1,000,000.

There was no balance outstanding on the Facility as of December 31, 2023 and there were no drawdowns or repayments on the Facility during the year then ended. The Facility expired on February 15, 2024 and was not renewed.

EAST-WEST MANAGEMENT INSTITUTE, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023

NOTE 12 - COMMITMENTS AND CONTINGENCIES (CONTINUED)

U.S. GOVERNMENT GRANTS, COOPERATIVE AGREEMENTS, AND CONTRACTS

Certain U.S. government grants, cooperative agreements, and contracts may be subject to audits by the funding sources. Such audits 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.

LEASES

The Institute occupies office space in New York, Washington, D.C. and various international locations under operating lease agreements that expire on various dates through September 30, 2031. Certain leases may be canceled by the Institute based on certain circumstances with or without notice.

Rent expense for the year ended December 31, 2023 was \$560,168, which approximates the cash rental expense.

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

The interest rate implicit in the lease is generally not determinable in transactions where an organization is the lessee. 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.

During the year ended December 31, 2023, the Institute amended its New York operating lease, resulting in an increase in ROU assets and lease liabilities of approximately \$856,000.

As of December 31, 2023, the Institute had ROU assets of approximately \$1,589,000 and lease liabilities of approximately \$1,593,000.

The weighted-average lease term and discount rate as of December 31, 2023 was 6.42 years and 6.26%, respectively.

EAST-WEST MANAGEMENT INSTITUTE, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023

NOTE 12 - COMMITMENTS AND CONTINGENCIES (CONTINUED)

LEASES (CONTINUED)

Future minimum rental payments under operating leases agreements (with terms in excess of one year) are approximately as follows:

Year Ending December 31,	Amount
2024	\$ 373,000
2025	316,000
2026	300,000
2027	201,000
2028	205,000
Thereafter	<u>584,000</u>
Total Minimum Lease Payments	1,979,000
Less - Imputed interest	<u>(386,000)</u>
Present Value Lease Liabilities	<u>\$ 1,593,000</u>

NOTE 13 - CONCENTRATIONS

CONTRACTS AND GRANTS RECEIVABLE AND REVENUE

A concentration of credit risk existed with respect to contracts and grants receivable and revenue. As of December 31, 2023, receivables from three donors represented approximately 90% of the Institute's total contracts and grants receivable balance. In addition, the Institute received approximately 81% of its total revenue in 2023 (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.

CONTRIBUTIONS RECEIVABLE

As of December 31, 2023, receivables from one donor represented approximately 91% of the Institute's total contributions receivable balance.