JohnsonLambert LLP
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International Research & Exchanges Board, Inc.

Audited Consolidated Financial Statements, Other Financial Information and Uniform Guidance Supplemental Reports

Years ended June 30, 2023 and 2022
with Report of Independent Auditors

International Research & Exchanges Board, Inc.

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Other Financial Information and
Uniform Guidance Supplemental Reports

Years ended June 30, 2023 and 2022

Contents

Report of Independent Auditors

Board of Directors
International Research & Exchanges Board, Inc.

Report on the Audit of the Financial Statements

Opinion

We have audited the consolidated financial statements of International Research & Exchanges Board, Inc. (the Organization) and its subsidiaries, which comprise the consolidated statements of financial position as of June 30, 2023 and 2022, and the related consolidated statements of activities and changes in net assets, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, based on our audit and the report of the other auditors, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Organization and its subsidiaries as of June 30, 2023 and 2022, and the consolidated changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of Development Gateway, Inc. (DG), a majority-controlled subsidiary, whose statements reflect total assets constituting 29 percent and 26 percent, respectively, of consolidated total assets at June 30, 2023 and 2022, and total revenues constituting 7 percent and 5 percent, respectively, of consolidated total revenues for the years then ended. Those statements were audited by other auditors, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for DG, is based solely on the report of the other auditors.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization 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.

Adoption of New Accounting Standard

As discussed in Note A to the consolidated financial statements, effective July 1, 2022, the Organization adopted Financial Accounting Standards Board Accounting Standards Update 2016-02 and subsequent amendments, Leases (Topic 842). Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements
Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements
Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore, is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the consolidated 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 consolidated financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization'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 consolidated financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization'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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 26, 2024 on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

Johnson Lambert LLP

Vienna, Virginia
February 26, 2024

International Research & Exchanges Board, Inc.

Consolidated Statements of Financial Position

	June 30, 2023	June 30, 2022
Assets		
Cash and cash equivalents	$ 11,501,243	$ 11,718,508
Short-term investments	252,747	250,876
Grants and contracts receivable, net of reserve for potential disallowed costs of approximately $427,601 and $260,147 for 2023 and 2022, respectively	16,339,104	7,231,533
Prepaid expenses and other assets	5,018,398	6,273,375
Right of use assets-operating	6,804,535	-
Property and equipment, net	817,604	1,158,558
Long-term investments	13,003,539	14,680,700
Total assets	$ 53,737,170	$ 41,313,550
Liabilities and net assets		
Liabilities:		
Accounts payable and accrued expenses	$ 16,303,975	$ 12,802,144
Note Payable	1,000,000	1,000,000
Letter of credit loans payable	136,161	136,161
Refundable advances	4,421,555	5,575,911
Deferred revenue	108,215	62,036
Lease liability	7,918,442	-
Deferred rent	-	1,375,068
Deferred compensation liability	493,029	389,461
Total liabilities	30,381,377	21,340,781
Net assets:		
Without donor restrictions	9,248,594	8,506,460
With donor restrictions	14,107,199	11,466,309
Total net assets	23,355,793	19,972,769
Total liabilities and net assets	$ 53,737,170	$ 41,313,550

See accompanying notes to the consolidated financial statements.

International Research & Exchanges Board, Inc.

Consolidated Statement of Activities and Changes in Net Assets

Year ended June 30, 2023

	Without donor restrictions	With donor restrictions	Total
Revenue and support			
Federal grants and contracts	$ 139,781,123	$ -	$ 139,781,123
Private grants and contracts	8,919,529	8,506,779	17,426,308
Net assets released from restrictions	5,903,957	(5,903,957)	-
Contributions	120,283	-	120,283
Other revenue	240,083	-	240,083
In-kind support	8,534,495	-	8,534,495
Total revenue and other support	163,499,470	2,602,822	166,102,292
Expenses			
Program services:			
Information and Media	31,078,734	-	31,078,734
Education	20,640,308	-	20,640,308
Communities and Governance	25,918,707	-	25,918,707
Leadership	48,708,155	-	48,708,155
Youth, Learning & Impact, Other	5,891,788	-	5,891,788
Other program	7,291,202	-	7,291,202
Total program services	139,528,894	-	139,528,894
Supporting services:			
Fundraising	353,797	-	353,797
Management and General – indirect	24,121,003	-	24,121,003
Total supporting services	24,474,800	-	24,474,800
Total expenses	164,003,694		164,003,694
Change in net assets before rental (loss) and investment income, net	(504,224)	2,602,822	2,098,598
Rental (loss)	(66,000)	-	(66,000)
Investment income, net	1,312,358	38,068	1,350,426
Change in net assets	742,134	2,640,890	3,383,024
Net assets, beginning of year	8,506,460	11,466,309	19,972,769
Net assets, end of year	$ 9,248,594	$ 14,107,199	$ 23,355,793

See accompanying notes to the consolidated financial statements.

International Research & Exchanges Board, Inc.

Consolidated Statement of Activities and Changes in Net Assets

Year ended June 30, 2022

	Without donor restrictions	With donor restrictions	Total
Revenue and support			
Federal grants and contracts	$ 101,215,083	$ -	$ 101,215,083
(Loss) Inherent contribution from acquisition	(651,238)	7,889,358	7,238,120
Private grants and contracts	6,196,557	5,555,507	11,752,064
Net assets released from restrictions	4,297,946	(4,297,946)	-
Contributions	335,247	-	335,247
Other revenue	19,222	-	19,222
In-kind support	3,443,793	-	3,443,793
Total revenue and other support	114,856,610	9,146,919	124,003,529
Expenses			
Program services:			
Information and Media	21,813,532	-	21,813,532
Education	15,765,504	-	15,765,504
Communities and Governance	22,575,471	-	22,575,471
Leadership	26,802,282	-	26,802,282
Youth	5,651,850	-	5,651,850
Other program services	4,669,484	-	4,669,484
Total program services	97,278,123	-	97,278,123
Supporting services:			
Fundraising	231,302	-	231,302
Management and General – indirect	18,164,507	-	18,164,507
Total supporting services	18,395,809	-	18,395,809
Total expenses	115,673,932	-	115,673,932
Change in net assets before rental (loss) and investment (loss), net	(817,322)	9,146,919	8,329,597
Rental (loss)	(159,686)	-	(159,686)
Investment (loss), net	(2,017,314)	(59,766)	(2,077,080)
Change in net assets	(2,994,322)	9,087,153	6,092,831
Net assets, beginning of year	11,500,782	2,379,156	13,879,938
Net assets, end of year	$ 8,506,460	$ 11,466,309	$ 19,972,769

See accompanying notes to the consolidated financial statements.

International Research & Exchanges Board, Inc.

Consolidated Statements of Functional Expenses

Years ended June 30, 2023 and 2022

	Program services							Supporting services			
	Information & Media	Education	Communities & Governance	Leadership	Youth, Learning & Impact, Other	Other	**Programs Subtotal**	Fundraising	Management & General - indirect	Supporting Subtotal	**2023 Total Expenses**
Salaries & benefits	$ 10,667,765	$ 6,680,517	$ 6,222,741	$ 7,557,162	$ 1,987,728	$ 1,317,930	$ 34,433,843	$ 258,267	$ 16,360,912	$ 16,619,179	$ 51,053,022
Grants & contributions	9,491,625	5,493,093	11,554,277	7,152,965	2,880,451	-	36,572,411	-	-	-	36,572,411
Assistance to individuals	576,899	4,110,025	109,607	21,388,239	62,094	-	26,246,864	-	-	-	26,246,864
Professional services	5,056,621	1,354,600	3,184,251	1,753,840	309,421	5,552,341	17,211,074	70,264	4,460,797	4,531,061	21,742,135
Conferences	598,570	1,045,225	560,659	4,103,358	49,403	61,370	6,418,585	2,693	144,736	147,429	6,566,014
Travel	1,379,072	881,967	794,955	1,588,729	238,259	282,106	5,165,088	15,763	533,562	549,325	5,714,413
Occupancy	662,323	471,554	406,822	650,992	113,771	12,027	2,317,489	15	1,237,202	1,237,217	3,554,706
Equipment, supplies, & office operations	597,181	509,303	787,842	203,707	72,935	65,053	2,236,021	6,711	660,308	667,019	2,903,040
Depreciation	26,915	32,384	14,316	56,805	6,872	-	137,292	-	287,743	287,743	425,035
Other	14,682	61,640	(20,763)	28,945	170,854	375	255,733	84	435,743	435,827	691,560
In-kind support	2,007,081	-	2,304,000	4,223,413	-	-	8,534,494	-	-	-	8,534,494
Total expenses	$ 31,078,734	$ 20,640,308	$ 25,918,707	$ 48,708,155	$ 5,891,788	$ 7,291,202	$ 139,528,894	$ 353,797	$ 24,121,003	$ 24,474,800	$ 164,003,694

	Program services							Supporting services			
	Information & Media	Education	Communities & Governance	Leadership	Youth, Learning & Impact, Other	Other	**Programs Subtotal**	Fundraising	Management & General - indirect	Supporting Subtotal	**2022 Total Expenses**
Salaries & benefits	$ 8,130,127	$ 4,954,402	$ 5,178,053	$ 6,720,394	$ 1,910,437	$ 866,292	$ 27,759,705	$ 159,950	$ 12,121,527	$ 12,281,477	$ 40,041,182
Grants & contributions	6,961,111	5,212,428	9,795,915	5,381,628	2,761,911	-	30,112,993	-	(4,152)	(4,152)	30,108,841
Assistance to individuals	247,666	3,049,793	102,937	9,791,076	86,216	-	13,277,688	-	-	-	13,277,688
Professional services	4,685,274	883,512	3,451,750	1,545,919	348,042	3,664,256	14,578,753	65,376	3,897,048	3,962,424	18,541,177
Conferences	241,481	522,734	352,805	700,204	49,546	28,922	1,895,692	457	76,018	76,475	1,972,167
Travel	466,877	345,465	431,511	181,750	87,144	80,245	1,592,992	1,034	101,414	102,448	1,695,440
Occupancy	464,372	400,385	390,233	547,156	146,144	5,785	1,954,075	-	1,071,658	1,071,658	3,025,733
Equipment, supplies, & office operations	295,132	314,169	820,738	693,980	165,852	23,726	2,313,597	4,462	573,668	578,130	2,891,727
Depreciation	31,581	28,816	16,355	60,266	9,155	-	146,173	-	287,327	287,327	433,500
Other	63,789	53,800	(149)	(2,439)	87,403	258	202,662	23	39,999	40,022	242,684
In-kind support	226,122	-	2,035,323	1,182,348	-	-	3,443,793	-	-	-	3,443,793
Total expenses	$ 21,813,532	$ 15,765,504	$ 22,575,471	$ 26,802,282	$ 5,651,850	$ 4,669,484	$ 97,278,123	$ 231,302	$ 18,164,507	$ 18,395,809	$ 115,673,932

See accompanying notes to the consolidated financial statements.

International Research & Exchanges Board, Inc.

Consolidated Statements of Cash Flows

	Years ended June 30, 2023	2022
Cash flows from operating activities		
Change in net assets	$ 3,383,024	$ 6,092,831
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation	425,035	433,500
Reserve for potential disallowed costs	167,454	88,100
Net realized and unrealized (gain) loss on long-term investments	(1,350,425)	2,077,080
Net unrealized loss (gain) on 457b commitment	103,568	(25,338)
Inherent contribution from acquisition	-	(7,238,120)
Non-cash lease expense	2,386,436	-
Changes in assets and liabilities:		
Grants receivable	(9,275,025)	5,113,841
Short-term investments	(1,871)	-
Prepaid expenses and other assets	1,254,977	(4,935,709)
Accounts payable and accrued expenses	3,501,831	4,894,986
Deferred rent	-	(330,734)
Refundable advances	(1,154,356)	(63,639)
Lease liability	(2,647,598)	-
Deferred revenue	46,178	(24,118)
Net cash (used in) provided by operating activities	(3,160,772)	6,082,680
Cash flows from investing activities		
Proceeds from sale of investments	3,027,588	1,296,002
Purchase of investments	-	(5,177,360)
Purchase of property and equipment	(84,081)	(352,793)
Cash and cash equivalents acquired from acquisition	-	4,449,549
Net cash provided by (used in) investing activities	2,943,507	215,398
Cash flows from financing activities		
Proceeds from note payable	-	850,000
Payment on letter of credit loan payable	-	(23,667)
Net cash provided by financing activities	-	826,333
Net change in cash and cash equivalents	(217,265)	7,124,411
Cash and cash equivalents, beginning of year	11,718,508	4,594,097
Cash and cash equivalents, end of year	$ 11,501,243	$ 11,718,508

See accompanying notes to the consolidated financial statements.

Note A - Summary of Significant Accounting Policies and General Information

Nature of Operations

The International Research & Exchanges Board, Inc. (IREX or the Organization), is an international nonprofit organization dedicated to the advancement of knowledge. Central to its mission is the empowering of individuals and institutions to participate meaningfully in civil society. IREX contributes to the development of students, scholars, policymakers, business leaders, journalists, and other professionals; strengthens independent media, academic, public, and nongovernmental institutions; and makes the knowledge and skills developed through its programs available to universities, foundations, policymakers, and the corporate sector. IREX administers programs between the United States and the countries of Eastern Europe, Asia, the Near East, Latin America and Africa. A significant portion of IREX's operations are carried out in foreign countries.

IREX receives funds from the U.S. Department of State (DOS), the U.S. Agency for International Development (USAID), other Federal agencies, and private-sector sources. Approximately 84 percent and 81 percent of the funds received in 2023 and 2022 including cost share, respectively, were through awards from the U.S. government.

The Academy for International Education & Research, Inc. (AIER) was registered in August 2003 under the laws of the Commonwealth of Virginia and was granted by IRS the tax-exempt status in 2005. The purpose of AIER is to support the mission of IREX and the advancement of standards in global education, information and media and to support the empowerment of youth in leading and developing their own communities. In September 2020, AIER purchased all shares of Consultancy Solutions, JSC and brought all Consultancy Solutions operations under AIER. IREX is the sole owner of AIER.

Together We Thrive, LLC (TWT) is a limited liability company whose mission is to build more just, prosperous and inclusive societies around the world by empowering youth, cultivating leaders, strengthening institutions and extending access to quality education and information. TWT was dissolved effective February 10, 2022.

The International Research and Exchanges Board (Guaranteed) Limited is an association formed as a limited liability company in one of IREX country offices, whose purpose is to build more just, prosperous and inclusive societies by youth empowerment, leadership and education development.

Development Gateway (DG) is a not-for-profit organization based in Washington, D.C. whose mission is to reduce poverty and enable change in developing nations through information technology. Pursuant to a memorandum of understanding executed on October 14, 2021, IREX gained majority control of DG's Board of Directors. The memorandum of understanding was executed as both parties wish to undertake a mutual collaboration in shared areas of interest to increase their impact in the areas of youth empowerment, education, transparency and accountability of public and civic institutions and data driven decision making. These consolidated financial statements include the results of operations as of and subsequent to the effective date of the acquisition. See Note H for further details regarding the acquisition.

Basis of Presentation

IREX prepares its consolidated financial statements on the accrual basis of accounting.

Note A - Summary of Significant Accounting Policies and General Information (Continued)

Principles of Consolidation
In order to carry forward its mission IREX has a number of field offices in foreign countries. To comply with the legal requirements of certain host countries, IREX has registered separate field offices in such countries. All activities of the field offices noted above, AIDER, TWT, AIER, DG and The International Research and Exchanges Board (Guaranteed) Limited are reflected in the accompanying consolidated financial statements. All significant inter-entity transactions and balances have been eliminated in consolidation.

Adoption of Accounting Principle
The Organization adopted Financial Accounting Standards Board Accounting Standards Update 2016- 02 and subsequent amendments, Leases (Topic 842) on July 1, 2022. Among other requirements, lessees are required to identify leases as either operating or finance and to recognize the following for all leases (with the exception of short-term leases) as of the date of adoption: 1) a lease liability, which is the lessee's obligation to make lease payments arising from a lease, measured on a discounted basis; and 2) a right-of-use (ROU) asset, which is an asset that represents the lessee's ROU, or control the use of a specified asset for the lease term. The Organization elected the available package of transition practical expedients, which allowed the Organization to use its historical assessments of whether contracts are or contain leases, lease classification and initial direct costs. The Organization elected to not apply the standard to leases with a term of twelve months or shorter. The Organization elected to account for lease and non-lease components as a single lease component for all asset classes. The Organization elected the transition practical expedient to use hindsight to determine the lease term and re-evaluated its historical assessments. As a result of adopting, the Organization recognized a ROU asset of $9,190,971 and a lease liability of $10,566,039 on July 1, 2022.

Leases
The Organization determines if an arrangement is a lease or contains a lease at inception of a contract and classifies each lease as an operating or finance lease. The Organization uses leases to obtain the use of office space and equipment.

A contract is determined to be or contain a lease if the contract conveys the right to control the use of identified property, plant, or equipment (an identified asset) in exchange for consideration. The Organization records a right-of-use (ROU) asset for the right to use an underlying asset for the lease term and a lease liability, on a discounted basis, for the obligation to make lease payments arising from the lease. The Organization has elected the risk- free rate as the discount rate for all its underlying leased assets. The lease term includes options to extend or to terminate the lease that the Organization is reasonably certain not to exercise. The Organization has elected for all classes of underlying assets the practical expedient to not separate lease and nonlease components and account for them as a single lease component. ROU assets are subject to review for impairment. No impairment was identified during the year ended June 30, 2023.

For operating leases, lease expense relating to fixed payments is recognized on a straight-line basis over the lease term and lease expense relating to variable payments is expensed as incurred. The Organization has elected as an accounting policy not to record ROU assets and lease liabilities that arise from short-term leases for any class of underlying asset and any leases with undiscounted future cash flows of lower than $5,000.

Note A - Summary of Significant Accounting Policies and General Information (Continued)

Property and Equipment
Leasehold improvements are recorded at cost and are amortized over the life of the lease.

Risks and Uncertainties
The Organization invests in various securities. These securities are exposed to a variety of risks, such as interest rates, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the consolidated statements of financial position.

Revenue Recognition for Grants and Contracts
Federal and private grants and contracts are recognized when an unconditional promise to give is received. Conditional promises to give, with a measurable performance or other barrier and a right of return, are not recognized until the conditions on which they depend have been met. Contributions received prior to meeting the conditions are reported as refundable advances in the consolidated statements of financial position. Contributions are recorded as with donor restrictions or without donor restrictions, depending on the existence or nature of any donor-imposed restrictions. Restricted support that expires in the same period is classified as net assets without donor restrictions. As of June 30, 2023 and 2022, conditional contributions received in advance of $4,421,555 and $5,575,911, respectively have not been recognized in the accompanying consolidated statements of activities and changes in net assets, and are classified as refundable advances because the conditions for recognition have not been met.

The majority of the Organization's revenue is derived from cost-reimbursable grants from the Federal government or other sources. Amounts received are recognized as revenue when expenses have been incurred in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenses are reported as refundable advances in the consolidated statements of financial position. As of June 30, 2023 and 2022, $1,611,086 and $1,768,550, respectively of conditional contributions from the Federal awards have not been recognized as revenue because qualifying expenditures have not yet been incurred. In addition, $2,810,469 and $3,807,361 of conditional contributions from private grants as of June 30, 2023 and 2022, respectively have not been recognized as revenue because qualifying expenditures have not yet been incurred. The total of conditional contributions for which qualifying expenditures have not yet been incurred from both Federal and Private sources of $4,421,555 and $5,575,911, respectively have been reported as refundable advances in the consolidated statements of financial position as of June 30, 2023 and 2022.

DG's revenue consists of federal funding, grants, contracts, rental and other income. DG's federal funding is considered an exchange transaction and is subject to contractual restrictions which must be met through incurring qualifying expenses for particular programs. Revenue is recorded to the extent that related expenses are incurred in compliance with the criteria stipulated in the agreements.

Note A - Summary of Significant Accounting Policies and General Information (Continued)

Revenue Recognition for Grants and Contracts (continued)
Grants received by DG are considered contributions and are restricted by donor stipulations that limit the use of the donated assets. These grants are recognized as revenue when they are received. Any grants that have been unconditionally promised and for which amounts have not been received as of year-end are included in grants and contracts receivable. There are $2,421,495 and $2,006,443 in grants and contracts receivable that are due within 1-5 years as of June 30, 2023, and 2022 respectively. There is no material discount to present value as of June 30, 2023 and 2022 for long-term grants and contracts receivable. Additionally, there were no write-offs for long-term grants and contracts receivable for the years ended June 30, 2023 and 2022. There was an allowance for doubtful accounts of $21,701 and $15,447 as of June 30, 2023 and 2022. Long-term grants and contracts receivable are valued at fair value on a non-recurring basis.

Contracts are considered exchange transactions and are recorded as unrestricted revenue as reimbursable costs are incurred or on a percentage of completion of project milestones (if a fixed price agreement). Revenue recognized on contracts for which billings have not been billed or received as of year-end is included in grants and contracts receivable in the accompanying consolidated statements of financial position. Contract funding received in advance of incurring the related expenses is recorded as deferred revenue in the accompanying consolidated statements of financial position.

Classification of Net Assets
The net assets, revenue, expenses, gains and losses of IREX are classified based on the existence, or absence, of donor-imposed restrictions. Accordingly, the net assets of IREX and the changes therein, are classified and reported as such:

> Net assets without donor restrictions–Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization.
>
> Net assets with donor restrictions–Net assets that are subject to stipulations imposed by donors. This includes 1) funds that are restricted by donors requiring that the principal be invested in perpetuity. The earnings on these funds are used for operations in accordance with a spending policy approved by the Board of Directors or based on the restriction associated with the funds. 2) Investment returns on certain funds that are restricted by donors. When the purpose or time period restriction is met, these assets may be reclassified to net assets without donor restrictions and reported in the consolidated statements of activities and changes in net assets as net assets released from restrictions.

Cash and Cash Equivalents
For consolidated financial statement purposes, the Organization considers all highly liquid investment instruments purchased with a maturity of three months or less to be cash equivalents except for those held in brokerage accounts or held for other than operating purposes which are classified as investments.

In-Kind Support
IREX receives in-kind contributions of education exchange services, labor, supplies, travel, and other services from a number of contributors. These amounts are reflected as revenues and expenses at the estimated fair value when received in the accompanying consolidated statements of activities and changes in net assets. Refer to Note D for further details.

Note A - Summary of Significant Accounting Policies and General Information (Continued)

Functional Expenses
The cost of program and supporting activities have been summarized on a functional basis in the consolidated statements of activities and changes in net assets. The consolidated statements of functional expenses present the natural classification detail of expenses by function. Costs that can be identified specifically with a particular cost objective or project are charged directly to the applicable grant, cooperative agreement, or contract within a program. Certain categories of expenses are attributed to more than one program or supporting function, and therefore, require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries and benefits, fringe and facilities costs. Fringe and facilities are embedded in salaries and benefits, professional services, occupancy, equipment, supplies and office, and depreciation in the consolidated statements of functional expenses. Salaries and benefits are allocated based on actual time and effort. Fringe costs are allocated based on US hired staff salaries and wages. Facilities costs are allocated based on headquarter-based staff salaries and benefits and the cost of temporary agency employees.

Fixed Assets
Fixed assets are carried at cost. Depreciation of fixed assets is provided on the straight-line method over estimated useful lives of three to five years. Maintenance, repairs and renewals, which neither materially add to the value of the property nor appreciably prolong its life, are charged to expense as incurred. Gains or losses on dispositions of fixed assets, if any, are included in the accompanying consolidated statements of activities and changes in net assets.

The Organization occasionally purchases and expenses equipment for overseas projects with funds received from the United States Government (USG) and private grantors. Title is determined by the terms of the awards. Usually title to the assets remains with the recipient, IREX, but the grantor generally retains control of the disposition of the equipment at the conclusion of the project. In most cases, at the conclusion of the project, the equipment is donated to local organizations. Proceeds, if any, from the sale of equipment under USG awards with a fair market value exceeding $5,000 are returned to the respective grantor.

The Organization capitalizes certain costs associated with computer software developed or obtained for internal use and website development. The Organization’s policy provides for the capitalization of external direct costs of materials and services. Costs associated with preliminary project stage activities, and post implementation stage activities, such as training and maintenance, are expensed as incurred. Costs capitalized are amortized over the useful life of the software or website on a straight-line basis which has been estimated at three years.

Income Tax
The Organization follows guidance that clarifies the accounting for uncertainty in tax positions taken or expected to be taken in a tax return, including issues relating to financial statement recognition and measurement. This guidance provides that the tax effects from an uncertain tax position can only be recognized in the consolidated financial statements if the position is “more-likely-than-not” to be sustained if the position were to be challenged by a taxing authority. The assessment of the tax position is based solely on the technical merits of the position, without regard to the likelihood that the tax position may be challenged.

IREX and DG are exempt from U.S. Federal income tax under the Internal Revenue Code (IRC) section 501(c)(3), though they are subject to tax on income unrelated to their exempt purposes, unless that income is otherwise excluded by the Code. TWT , AIER, and The International Research and Exchanges Board (Guaranteed) Limited are disregarded entities for U.S. Federal income tax purposes.

Note A - Summary of Significant Accounting Policies and General Information (Continued)

Income Tax (continued)
Additionally, in certain circumstances, IREX is required to withhold Federal income tax for payments of taxable scholarships, fellowships and grants to nonresident aliens. A federal income taxes were withheld relating to this of approximately $1,869,900 and $741,000 for the years ended June 30, 2023, and 2022, respectively.

No provision for income taxes has been recorded in 2023 and 2022 because management believes there is no material unrelated business income tax. The Organization has processes presently in place to ensure the maintenance of its tax-exempt status; to identify and report unrelated business income; to determine its filing and tax obligations in jurisdictions for which it has nexus; and to identify and evaluate other matters that may be considered tax positions. IREX has determined that there are no material uncertain tax positions that require recognition or disclosure in the consolidated financial statements.

Fair Value of Financial Instruments
The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

> Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that IREX has the ability to access.
>
> Level 2 – Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the assets or liability; inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.
>
> Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Investment return, net consists of interest and dividends earned from cash, cash equivalents and investments, net of related investment management expenses, along with the change in fair value of investments including gains and losses realized upon sales and unrealized resulting from fluctuations in market values of investments.

Using Estimates in Preparing Financial Statements
In preparing consolidated financial statements in conformity with accounting standards generally accepted in the United States "GAAP", management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and revenue and expenses during the reporting period. Actual results could differ from those estimates.

Note A - Summary of Significant Accounting Policies and General Information (Continued)

Concentration of Credit Risk
Financial instruments which potentially subject IREX to concentrations of credit risk consist primarily of cash and cash equivalents. At times, the Organization maintains cash balances in financial institutions which may exceed Federally insured limits. IREX also holds cash in foreign accounts that do not have Federal insurance protection similar to that of cash accounts held in the United States. Available protections vary by countries. The Organization has not experienced any losses in its accounts and believes it is not exposed to significant credit risk on its cash and cash equivalents.

Subsequent Events
IREX has evaluated its consolidated financial statements for subsequent events through February 26, 2024, the date the consolidated financial statements were available to be issued.

Note B - Liquidity and Availability of Resources

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

	2023	2022
Financial assets at year-end:		
Cash and cash equivalents	$ 11,501,243	$ 11,718,508
Grants and contracts receivable, net	16,339,104	7,231,533
Short-term investments	252,747	250,876
Long-term investments	13,003,539	14,680,700
Total financial assets	41,096,633	33,881,617
Less amounts not available to be used within one year:		
Deferred compensation liability	493,029	389,461
Refundable advances	4,421,555	5,575,911
Net assets with donor restrictions	14,107,199	11,466,309
Grants and contracts receivable, net, due in greater than one year	2,793,045	2,006,443
	21,814,828	19,438,124
Financial assets available to meet general expenditures over the next twelve months	$ 19,281,805	$ 14,443,493

Note B - Liquidity and Availability of Resources (Continued)

IREX management structures its financial assets to be available to pay for general expenditures, liabilities, and other obligations as they come due. IREX maintains financial assets to meet 90 days of operating expenses as a goal. Cash and cash equivalents are immediately available for liquidity purposes. At the same time, IREX invests in short-term and long-term investment mutual funds to generate interest and returns on the principal to increase its liquidity capacities. IREX invests net assets without donor restrictions in its long-term investments, such as mutual funds.

The funds IREX invests in its 457b retirement plan are not available to pay for general expenditures, liabilities, and other obligations due to the nature of the 457b plan. Refundable advances contain a right of return to third-party grantors and measurable performance barriers that have not been met as of year-end. Accordingly, management considers these unavailable for general expenditures. Net assets with donor restrictions are invested in the IREX long-term investment account, including net assets that are restricted for specific purposes by the donors and that are not available for general expenditures.

Note C – Contract Assets

Contract assets, including certain grants and contracts receivables, consists of the following as of June 30, 2023, and 2022:

	Opening Balance FY 2023	Closing Balance FY 2023	Opening Balance FY 2022	Closing Balance FY 2022
Contract assets	$ 528,049	$ 735,206	$ 513,263	$ 528,049

Note D – In-kind Support

IREX recognized in-kind support of $8,534,495 and $3,443,793 for fiscal years 2023 and 2022, respectively. Non-cash support consisted of the following for the years ended June 30:

Nonfinancial asset	2023	2022	Program benefited	Donor restriction	Valuation technique
Equipment	$ 2,007,081	$ -	Information and Media	Donor indicated specific beneficiaries. IREX was responsible for delivery and distribution of the equipment.	Equipment is valued based on market price estimated by suppliers.
Education exchange services	2,827,269	1,052,150	Leadership	No associated donor restrictions	IREX estimated the fair value on the basis of costs that would have been incurred if we purchased such services.
Supplies	143,286	2,022,785	Information and Media, Leadership, Communities and Governance	No associated donor restrictions	Supplies are valued based on costs incurred by partner organizations.
Volunteer labor	3,093,097	288,940	Information and Media, Leadership, Communities and Governance	No associated donor restrictions	Contributed services from volunteers are valued at the estimated fair market value based on current rates for similar services.
Other	463,762	79,918	Information and Media, Leadership, Communities and Governance	No associated donor restrictions	IREX estimated the fair value based on current rates for similar services/goods.
Total In-kind support	$ 8,534,495	$ 3,443,793			

Note E - Investments and Fair Value Measurements

The following table sets forth IREX's short and long term investments measured at fair value within the fair value hierarchy as of June 30:

	2023	2022	Level
Short-term investments:			
Money market reserves and certificates of deposit	$ 252,747	$ 250,876	N/A
Total short-term investments	252,747	250,876	
Long-term investments:			
Mutual funds	13,003,539	14,677,154	1
Common stock	-	3,546	1
Total long-term investments	13,003,539	14,680,700	
Total investments	$ 13,256,286	$ 14,931,576	

Investment return (loss), net consists of the following for the years ended June 30:

	2023	2022
Interest and dividends	$ 149,067	$ 28,503
Unrealized gains (losses), net	954,054	(2,329,065)
Realized gains, net	274,987	256,197
Investment management fees	(27,683)	(32,715)
Investment return (loss), net	$ 1,350,425	$ (2,077,080)

Mutual Funds and Common Stock
Investments in mutual funds and common stock are valued at the closing price reported on the active market on which the individual securities are traded. In addition to Mutual Funds and Common Stock, Long-term investment also includes 457(b) plan which can be referred in Note I – Retirement Plans.

Note F - Property and Equipment

Property and equipment consist of the following at June 30:

	2023	2022
Furniture, equipment and computer software	$ 3,356,038	$ 3,269,920
Leasehold improvements	2,977,761	2,977,761
	6,333,799	6,247,681
Accumulated depreciation	(5,516,195)	(5,089,123)
	$ 817,604	$ 1,158,558

The Organization recorded depreciation expense of $425,035 and $433,500 for the years ended June 30, 2023 and 2022, respectively.

Note G – Net Assets with Donor Restrictions and Endowments

As of June 30, 2023 and 2022, IREX net assets with donor restrictions consist of 1) investment income restricted for the purpose of conducting National Endowment for the Humanities (NEH) endowment-supported programs; 2) investment principal restricted for the purpose of conducting NEH endowment-supported programs and Mellon-endowment supported programs. No material NEH endowment-supported programs and Mellon-endowment supported programs were conducted during the years ended June 30, 2023 and 2022, and accordingly, no net assets relating to this purpose were released from restriction.

Changes in endowment net assets for the year ended June 30, 2023 are as follows:

	Balance June 30, 2022	Investment Gains	Net Assets Released from Restriction	Balance June 30, 2023
Specific purpose:				
Humanities activities	$ 935,390	$ 38,066	$ -	$ 973,456
Perpetual in nature:				
Humanities activities	384,000		-	384,000
Mellon-endorsed activities	1,000,000		-	1,000,000
Total	$ 2,319,390	$ 38,066	$ -	$ 2,357,456

Changes in endowment net assets for the year ended June 30, 2022 are as follows:

	Balance June 30, 2021	Investment Gains	Net Assets Released from Restriction	Balance June 30, 2022
Specific purpose:				
Humanities activities	$ 995,156	$ (59,766)	$ -	$ 935,390
Perpetual in nature:				
Humanities activities	384,000		-	384,000
Mellon-endorsed activities	1,000,000		-	1,000,000
Total	$ 2,379,156	$ (59,766)	$ -	$ 2,319,390

Investment income earned on the Mellon endowment funds is available for general purposes without restriction. Investment income earned on the NEH endowment funds is to be used for support of humanities activities in education, public programming, scholarly research and preservation and is restricted until used for that purpose.

The net assets of DG are reported in two groups as follows: Net assets without donor restrictions include amounts received without donor-imposed restrictions. These net assets are available for the operation of DG. Net assets with donor restrictions includes amounts received subject to donor-imposed stipulations that will be met by the actions of DG and/or the passage of time.

Note G – Net Assets with Donor Restrictions and Endowments (Continued)

DG net assets with donor restrictions were as follows for the years ended Jun 30, 2023 and 2022:

	2023	2022
Education data-driven decision mapping research in East and West Africa	$ 182,668	$ -
Digital Governance Design Clinics project	167,500	-
Digital Public	292,409	202,409
Open Heroine	1,861	1,861
Open Heroine Extension	51,920	154,837
Digital Activism Guide	30,000	90,000
Fertilizer Dashboard for Africa	1,638,957	3,388,095
Monitoring Seed Systems	-	698,671
Tobacco Data in Africa	513,371	2,736,782
Data on youth and tobacco in Africa	3,681,096	-
aLIVE implementation phase 2	4,017,690	-
Blockchain for Result	207,827	-
Digital Advisory Support Services for Accelerated Rural Transformation	964,444	1,874,264
	$ 11,749,743	$ 9,146,919

DG net assets released from donor restrictions were as follows for the year ended June 30, 2023 and 2022:

	2023	2022
Digital Public	$ 160,000-	$ 238,915
Open Heroine Extension	102,918	45,163
Digital Activism Guide	60,000	-
Fertilizer Dashboard for Africa	1,749,137	1,150,893
Monitoring Seed Systems	698,672	1,298,244
Tobacco Data in Africa	2,223,410	1,441,995
Digital Advisory Support Services for Accelerated Rural Transformation	909,820	122,736
	$ 5,903,957	$ 4,297,946

In total, net assets with donor restriction as of June 30, 2023 and 2022 were $14,107,199 and $11,466,309.

Note G – Net Assets with Donor Restrictions and Endowments (Continued)

Interpretation of Relevant Law
The management of IREX has interpreted the District of Columbia "Uniform Prudent Management of Institutional Funds Act of 2007" (the Act), absent explicit donor stipulations to the contrary, to require IREX to act in good faith and with the care that an ordinarily prudent person in a like position would exercise under similar circumstances in making determinations to appropriate or accumulated endowment funds, taking into account both its obligation to preserve the value of the endowment and its obligation to use the endowment to achieve the purposes for which it was donated. IREX classifies as net assets with donor restriction (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment required by the applicable donor gift instrument, if applicable.

Endowment Spending Policy
On an annual basis, and subject to actual investment performance, the President of IREX is authorized to allocate, assign and earmark an amount equal to 5% of the endowment balance to be used to pay operating expenses. Should the total return from the endowment funds be less than 5% (over the trailing 36 months), 80% of the amount earned will be made available for use as operating expenses, and the remaining earnings must be reinvested.

Endowment Investment Policies
IREX's investments are managed in accordance with the Board adopted Investment Policy Statement. IREX's investment policy is to preserve the long-term real purchasing power of assets, while providing a long-term competitive rate of return on investments, net of expense, that is equal to or exceeds the appropriate benchmark returns over a three-year rolling period without additional risk as measured by the variability of returns.

Funds with Deficiencies
From time to time, the fair value of assets associated with the individual donor restricted endowment funds may fall below the level that the donor requires IREX to retain as a fund of perpetual duration. Deficiencies of this nature for the NEH Endowment are reported in net assets without donor restrictions if the NEH restricted funds prior years' accumulated investment income is not sufficient to cover the deficit. Any deficiencies for the Mellon Endowment are covered by net assets without donor restrictions.

The Organization has interpreted applicable state trust law to allow for spending from underwater endowments in a prudent manner. There were no underwater endowment funds as of June 30, 2023 or 2022.

Note H – Acquisition

Listed below is the organization acquired by IREX during the year ended June 30, 2022, along with the effective date of the acquisition. The acquisition was approved by the Board of Directors of the Organization and did not have a formal purchase price.

- Development Gateway, Inc. (DG) – Effective October 14, 2021

Note H – Acquisition (Continued)

In accordance with GAAP, IREX recorded the excess of assets over liabilities as part of the consolidated financial statements during the year ended June 30, 2022. The assets and liabilities of the acquired organization are listed below:

	Development Gateway, Inc.
Assets:	
Cash and cash equivalents	$ 4,449,549
Grants and contracts receivable	3,838,876
Deferred rent asset	18,604
Prepaid expenses and other assets	230,665
Total assets	8,537,694
Liabilities:	
Accounts payable and accrued expenses	$ 758,301
Note payable	150,000
Letter of credit loans payable	159,828
Deferred revenue	59,604
Lease liability	171,841
Total liabilities	1,299,574
Inherent Contribution	$ 7,238,120

Out of the inherent contribution amount, $7,889,358 is with donor restriction and $(651,238) is without donor restriction.

Note I – Retirement Plans

Defined Contributions Plans
IREX has a defined contribution retirement plan, which covers eligible employees starting on their first day of service and funds are 100% vested immediately. All eligible employees receive a 2% discretionary contribution on their eligible compensation. Employees who enroll will receive 1:1 match on their deferrals up to 5% of their eligible compensation. During 2023 and 2022, IREX contributed $1,477,065 and $1,254,427, respectively, to the plan.

DG maintains a defined contribution plan under IRC section 403(b) (the "Plan") for all-full-time employees. Under the terms of the Plan, DG contributes the equivalent of 4% of the employee's annual compensation to each employee retirement account. Employees are enrolled in the Plan at the time of hire and are immediately vested 100% in employer contributions made to their account. Employees may also elect to have a portion of their compensation contributed to the Plan on a pre-tax basis.

Note I – Retirement Plans (Continued)

During the years ended June 30, 2023 and 2022, contributions to the Plan totaled $72,651 and $63,530, respectively, and were included in salaries and related benefits expense in the accompanying consolidated statements of functional expenses. As of June 30, 2023 and 2022, $22,254 and $16,841, respectively, of such expenses were accrued and included in accounts payable and accrued liabilities in the accompanying consolidated statements of financial position.

Deferred Compensation Plans
During calendar year 2015, IREX established a non-qualified deferred compensation plan under IRC Section 457(b) covering certain management employees. IREX may make non-elective contributions to the 457 (b) plan. The contributions made to the Plan, plus accrued earnings, and the related benefit obligations are held as assets and liabilities, respectively, in the consolidated statements of financial position. Amounts related to the Plan at June 30, 2023 and 2022 of $493,029 and $389,461, respectively were reported in the long-term investments and deferred compensation liability on the consolidated statements of financial position.

During the years ended June 30, 2023 and 2022, contributions to the Plan totaling $126,368 and $47,229 were included in salaries and related benefits expense in the accompanying statement of functional expenses. As of June 30, 2023 and 2022, $0 and $16,841 of such expenses were accrued and included in accounts payable and accrued liabilities in the accompanying consolidated statements of financial position.

Note J - Leases

Leases

The Organization has over 30 non-cancellable operating leases in the US, Europe, Asia, and Africa for facilities and certain equipment ranging from 0 – 5 years. The Organization considers any finance leases to be immaterial to the consolidated financial statements as a whole.

IREX's Washington, D.C. headquarters office lease provides for rent abatements, tenant improvement allowances, and escalation clauses, the value of which is amortized over the life of the lease. Deferred rent, prior to adoption of ASC 842 Leases, represents the difference between the minimum rental payments in accordance with the lease, and straight-line amortization of lease incentives. The lease runs from April 1, 2014 through March 31, 2026. The lease also contains yearly rental increases based on the terms of the lease agreement.

The Organization entered into operating leases for office space in Kyiv, Ukraine which runs from October 12, 2020 through July 31, 2026.

Note J - Leases

Leases (continued)
The Organization's lease costs, terms and discount rates are as follows for the year ending June 30, 2023:

Operating leases		
Operating leases cost	$	2,471,147
Variable lease cost		12,007
Total lease cost	$	2,483,154
Other Information		
ROU assets obtained in exchange for new operating lease liabilities	$	10,566,039
Weighted-average remaining lease term operating leases		2.43 years
Weighted-average discount rate – operating leases		2.87%

Approximate future minimum lease payments are as follows:

Year Ending June 30,		
2024	$	3,011,828
2025		2,479,742
2026		613,134
2027		329,856
2028		50,194
Total undiscounted future lease payments		6,484,755
Less: present value adjustment		(220,374)
	$	6,264,381

Rent expense for the years ended June 30, 2023 and 2022 (including field offices) was $2,483,155 and $2,357,134, respectively.

During fiscal year 2021, DG signed a lease agreement for office space located at 1100 13th Street, N.W., Washington, D.C. The lease agreement commenced on March 1, 2021 and is set to expire on March 1, 2033.

As of June 30, 2023 and 2022, the deferred rent liability (net of asset) aggregated to $0 and $171,650, respectively. Total occupancy expense for office space was $196,592 and $206,958 for the years ended June 30, 2023 and 2022, respectively As of June 30, 2023, DG's weighted average discount rate for its finance lease was 2.88%, and the weighted average remaining lease term was 9.67 years.

Note J – Leases (Continued)

Leases (continued)
The following table summarizes the maturity of DG's operating lease liabilities on an undiscounted cash flow basis and a reconciliation to the lease liabilities recognized in DG's statement of financial position.

Year Ending June 30,		
2024	$	173,238
2025		178,435
2026		183,788
2027		189,301
2028		194,980
Thereafter		989,766
Total undiscounted future lease payments		1,909,508
Less present value adjustment		(255,447)
	$	1,654,061

Note K - Letters of Credit

During fiscal year 2020, DG paid a security deposit in the form of a letter of credit related to the new lease (discussed in Note J for 1100 13th Street). The security deposit, in the amount of $272,323, is held in cash and cash equivalents in the accompanying statements of financial position. DG is responsible for paying the co-tenant their initial contribution to the letter of credit. The remaining amount due by DG to the co-tenant was $136,161 as of June 30, 2023 and 2022.

Note L - Costs Subject to Audit

Costs incurred by IREX are subject to the regulations of granting agencies and may be disallowed after review and audit. Final negotiated rates have been approved through 2022. Management has established a reserve of approximately $405,900 and $260,147 for potential disallowed costs as of June 30, 2023 and 2022, respectively. Management believes adjustments, if any, in excess of this reserve would not be material to the consolidated financial statements or major programs.

Note M – Note Payable

As of June 30, 2021, DG had a $150,000 collateralized note payable (Economic Injury Disaster Loan) authorized by the U.S. Small Business Administration. The date of the note was October 26, 2020; installment payments, including principal and interest, were to begin twelve (12) months from the date of the promissory note. The note matures in October of 2050. Interest accrues at a rate of 2.75% per annum. Proceeds from the loan are to be used for working capital to alleviate economic injury caused by the global pandemic COVID-19. On January 11, 2022, the collateralized loan was amended from $150,000 to $1,000,000. Installment payments, including principal and interest, are to begin thirty (30) months from the date of the promissory note. Payments are applied to accrued interest first and then to principal. Aggregate maturities of the note payable during the next five fiscal years are 2024, $0; 2025, $9,467; 2026, $26,140; 2027, $26,868; 2028, $27,616 and $909,909 thereafter.

Note N – Collaborative Arrangement

In 2012, DG and another nonprofit established OpenGov Hub (OGH), which is governed and supported by an MOU between the two parties. The purpose of OGH is to serve as a center for collaboration, learning and innovation on issues related to promoting open government reforms and to house the organizations that pursue these causes. Under the MOU, both parties contributed equal capital, equally share in the profits and losses of OGH, as well as the related financial obligations. Transactions related to OGH are recorded in accordance with Accounting for Collaborative Agreements (FASB ASC 808 "Collaborative Arrangements"). Under such guidance, DG is interpreted to be the "secondary" party and the other nonprofit is interpreted to be the "principal" in the arrangement. Accordingly, DG only records OGH transactions to the extent of the net profit (loss) due at the end of each fiscal year.

As of June 30, 2023 and 2022, DG's equity in collaborative agreement in the accompanying consolidated statements of financial position is a deficit of $772,373 and $706,373, respectively. The accompanying consolidated statements of activities includes rental loss in the amounts of $66,000 and $398,336, respectively, for the years ended June 30, 2023 and 2022 as a result of the arrangement mentioned above. At June 30, 2023 and 2022, Grants and contracts receivable, net of current portion, less discount in the consolidated statement of financial position includes $195,387 due from OGH which will be paid once OHG generates enough cash surpluses.