

# International Research & Exchanges Board, Inc.

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

*Years ended June 30, 2024 and 2023  
with Report of Independent Auditors*

International Research & Exchanges Board, Inc.

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

Years ended June 30, 2024 and 2023

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## 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, 2024 and 2023, 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, 2024 and 2023, 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 37 percent and 29 percent, respectively, of consolidated total assets at June 30, 2024 and 2023, and total revenues constituting 6 percent and 7 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.

#### **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 [DATE TBD] 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.



Vienna, Virginia  
April 14, 2025

International Research & Exchanges Board, Inc.

Consolidated Statements of Financial Position

	June 30,	
	2024	2023
<b>Assets</b>		
Cash and cash equivalents	\$ 9,058,038	\$ 11,228,919
Short-term investments	267,144	252,747
Grants and contracts receivable, net of reserve for potential disallowed costs of approximately \$705,897 and \$427,601 for 2024 and 2023, respectively	17,023,872	16,339,104
Accounts receivable	96,730	-
Prepaid expenses and other assets	5,818,457	5,018,398
Letter of credit	272,324	272,324
Security deposit	119,929	-
Right of use assets-operating	11,975,198	6,804,535
Property and equipment, net	2,130,207	817,604
Long-term investments	14,793,849	13,003,539
Total assets	<u>\$ 61,555,748</u>	<u>\$ 53,737,170</u>
<b>Liabilities and net assets</b>		
Liabilities:		
Accounts payable and accrued expenses	\$ 15,468,928	\$ 15,531,602
Note payable	1,000,000	1,000,000
Letter of credit loans payable	-	136,161
Security deposits - sublease	6,500	-
Equity in collaborative arrangement	-	772,373
Refundable advances	6,390,890	4,421,555
Deferred revenue	18,822	108,215
Lease liability	14,702,197	7,918,442
Deferred compensation liability	625,571	493,029
Total liabilities	38,212,908	30,381,377
Net assets:		
Without donor restrictions	10,974,717	9,248,594
With donor restrictions	12,368,123	14,107,199
Total net assets	<u>23,342,840</u>	<u>23,355,793</u>
Total liabilities and net assets	<u>\$ 61,555,748</u>	<u>\$ 53,737,170</u>

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, 2024

	Without donor restrictions	With donor restrictions	Total
<b>Revenue and support</b>			
Federal grants and contracts	\$ 147,524,396	\$ -	\$ 147,524,396
Private grants and contracts	7,556,582	5,437,452	12,994,034
Net assets released from restrictions	7,227,412	(7,227,412)	-
OpenGov Hub rental income	998,766	-	998,766
Contributions	74,734	-	74,734
Other revenue	615,536	-	615,536
In-kind support	6,631,744	-	6,631,744
	<hr/>	<hr/>	<hr/>
Total revenue and other support	170,629,170	(1,789,960)	168,839,210
<b>Expenses</b>			
Program services:			
Information and Media	32,098,064	-	32,098,064
Education	30,655,190	-	30,655,190
Communities and Governance	27,560,591	-	27,560,591
Leadership	42,000,929	-	42,000,929
Youth, Learning & Impact, Other	699,903	-	699,903
Other program	8,680,268	-	8,680,268
Total program services	141,694,945	-	141,694,945
Supporting services:			
Fundraising	394,668	-	394,668
Management and General – indirect	28,462,379	-	28,462,379
Total supporting services	28,857,047	-	28,857,047
	<hr/>	<hr/>	<hr/>
Total expenses	170,551,992	-	170,551,992
Change in net assets before investment income, net	77,178	(1,789,960)	(1,712,782)
Investment income, net	1,648,945	50,884	1,699,829
Change in net assets	1,726,123	(1,739,076)	(12,953)
Net assets, beginning of year	9,248,594	14,107,199	23,355,793
Net assets, end of year	\$ 10,974,717	\$ 12,368,123	\$ 23,342,840

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
<b>Revenue and support</b>			
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
	<hr/>	<hr/>	<hr/>
Total revenue and other support	163,499,470	2,602,822	166,102,292
<b>Expenses</b>			
Program services:			
Information and Media	31,078,734	-	31,078,734
Education	20,640,308	-	20,640,308
Communities and Governance	29,762,931	-	29,762,931
Leadership	48,708,155	-	48,708,155
Youth, Learning & Impact, Other	2,047,564	-	2,047,564
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
	<hr/>	<hr/>	<hr/>
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
	<hr/>	<hr/>	<hr/>
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
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Net assets, end of year	\$ 9,248,594	\$ 14,107,199	\$ 23,355,793
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See accompanying notes to the consolidated financial statements.



# International Research & Exchanges Board, Inc.

## Consolidated Statements of Functional Expenses

Years ended June 30, 2024 and 2023

	Program services						Supporting services			2024 Total Expenses	
	Information & Media	Education	Communities & Governance	Leadership	Youth, Learning & Impact, Other	Other	Programs Subtotal	Fundraising	Management & General - indirect		Supporting Subtotal
Salaries & benefits	\$ 11,428,136	\$ 10,815,896	\$ 8,078,691	\$ 8,382,739	\$ 144,849	\$ 1,818,784	\$ 40,669,095	\$ 287,635	\$ 19,425,075	\$ 19,712,710	\$ 60,381,805
Grants & contributions	11,011,021	8,914,947	13,501,718	6,622,136	136,306	-	40,186,128	-	-	-	40,186,128
Assistance to individuals	799,123	4,410,184	233,843	14,923,442	33,585	-	20,400,177	-	-	-	20,400,177
Professional services	5,128,451	1,670,474	2,560,169	2,725,846	71,234	5,047,081	17,203,255	60,587	5,657,731	5,718,318	22,921,573
Conferences	505,931	1,008,016	500,284	2,809,342	2,884	83,884	4,910,341	6,625	224,058	230,683	5,141,024
Travel	1,044,035	1,013,177	368,461	1,303,334	15,063	482,709	4,226,779	21,073	558,283	579,356	4,806,135
Occupancy	705,815	659,299	388,685	529,626	5,286	812,826	3,101,537	-	1,147,916	1,147,916	4,249,453
Equipment, supplies, & office operations	517,557	1,041,647	1,542,155	271,054	20,633	248,856	3,641,902	8,475	861,558	870,033	4,511,935
Depreciation	30,079	36,093	17,934	53,089	566	148,521	286,282	-	300,123	300,123	586,405
Other	41,079	55,519	45,622	(11,542)	269,420	37,607	437,705	10,273	287,635	297,908	735,613
In-kind support	886,837	1,029,938	323,029	4,391,863	77	-	6,631,744	-	-	-	6,631,744
<b>Total expenses</b>	<b>\$ 32,098,064</b>	<b>\$ 30,655,190</b>	<b>\$ 27,560,591</b>	<b>\$ 42,000,929</b>	<b>\$ 699,903</b>	<b>\$ 8,680,268</b>	<b>\$ 141,694,945</b>	<b>\$ 394,668</b>	<b>\$ 28,462,379</b>	<b>\$ 28,857,047</b>	<b>\$ 170,551,992</b>

  

	Program services						Supporting services			2023 Total Expenses	
	Information & Media	Education	Communities & Governance	Leadership	Youth, Learning & Impact, Other	Other	Programs Subtotal	Fundraising	Management & General - indirect		Supporting Subtotal
Salaries & benefits	\$ 10,667,765	\$ 6,680,517	\$ 7,561,606	\$ 7,557,162	\$ 648,865	\$ 1,317,930	\$ 34,423,845	\$ 258,267	\$ 16,360,912	\$ 16,619,179	\$ 51,053,024
Grants & contributions	9,491,625	5,493,093	13,662,941	7,152,965	771,788	-	36,572,412	-	-	-	36,572,412
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	3,334,026	1,753,840	159,646	5,552,341	17,211,074	70,264	4,460,797	4,531,061	21,742,135
Conferences	598,570	1,045,225	576,404	4,103,358	33,659	61,370	6,418,586	2,693	144,736	147,429	6,566,015
Travel	1,379,072	881,967	935,197	1,588,729	98,017	282,106	5,165,088	15,763	533,562	549,325	5,714,413
Occupancy	662,323	471,554	453,798	650,992	66,795	12,027	2,317,489	15	1,237,202	1,237,217	3,554,706
Equipment, supplies, & office operations	597,181	509,303	816,802	203,707	43,975	65,053	2,236,021	6,711	660,308	667,019	2,903,040
Depreciation	26,915	32,384	18,565	56,805	2,623	-	137,292	-	287,743	287,743	425,035
Other	14,682	61,640	(10,015)	28,945	160,102	375	255,729	84	435,743	435,827	691,556
In-kind support	2,007,081	-	2,304,000	4,223,413	-	-	8,534,494	-	-	-	8,534,494
<b>Total expenses</b>	<b>\$ 31,078,734</b>	<b>\$ 20,640,308</b>	<b>\$ 29,762,931</b>	<b>\$ 48,708,155</b>	<b>\$ 2,047,564</b>	<b>\$ 7,291,202</b>	<b>\$ 139,528,894</b>	<b>\$ 353,797</b>	<b>\$ 24,121,003</b>	<b>\$ 24,474,800</b>	<b>\$ 164,003,694</b>

See accompanying notes to the consolidated financial statements.

International Research & Exchanges Board, Inc.

Consolidated Statements of Cash Flows

	Years ended June 30,	
	2024	2023
<b>Cash flows from operating activities</b>		
Change in net assets	\$ (12,953)	\$ 3,383,024
Adjustments to reconcile change in net assets to net cash used in provided by operating activities:		
Depreciation	586,405	425,035
Reserve for potential disallowed costs	705,897	167,454
Net realized and unrealized (gain) loss on long-term investments	(1,657,768)	(1,350,425)
Net unrealized loss (gain) on 457b commitment	(41,490)	103,568
Non-cash lease expense	3,232,721	2,386,436
Changes in assets and liabilities:		
Grants receivable	(1,390,665)	(9,275,025)
Accounts receivable	(96,730)	-
Short-term investments	(14,397)	(1,871)
Prepaid expenses and other assets	(800,059)	1,254,977
Accounts payable and accrued expenses	(62,674)	3,501,831
Letter of Credit	-	(272,324)
Security deposit	(119,929)	-
Security deposit-sublease	6,500	-
Refundable advances	1,969,335	(1,154,356)
Lease liability	(3,824,349)	(2,647,598)
Deferred revenue	(89,393)	46,178
Net cash used in operating activities	(1,609,548)	(3,433,096)
<b>Cash flows from investing activities</b>		
Proceeds from sale of investments	(91,052)	3,027,589
Purchase of property and equipment	(334,121)	(84,082)
Net cash (used in) provided by investing activities	(425,173)	2,943,507
<b>Cash flows from financing activities</b>		
Payment on letter of credit loan payable	(136,161)	-
Net cash used in financing activities	(136,161)	-
Net change in cash and cash equivalents	(2,170,882)	(489,589)
Cash and cash equivalents, beginning of year	11,228,920	11,718,508
Cash and cash equivalents, end of year	\$ 9,058,038	\$ 11,228,919

See accompanying notes to the consolidated financial statements.

# International Research & Exchanges Board, Inc.

## Notes to Consolidated Financial Statements

Years ended June 30, 2024 and 2023

### **Note A - Summary of Significant Accounting Policies and General Information**

#### *Nature of Operations*

The International Research & Exchanges Board, Inc. (IREX), 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 87 percent and 84 percent of the funds received in 2024 and 2023 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, JSC operations under AIER. IREX is the sole owner of AIER.

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.

#### *Basis of Presentation*

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

#### *Principles of Consolidation*

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

## International Research & Exchanges Board, Inc.

### Notes to Consolidated Financial Statements (Continued)

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

##### *Adoption of Accounting Principle*

The Organization adopted ASC 326, Financial Instruments—Credit Losses, as of July 1, 2023, with the cumulative-effect transition method with the required prospective approach. The measurement of expected credit losses under the current expected credit loss (“CECL”) methodology is applicable to financial assets measured at amortized cost, which include accounts receivable. An allowance for credit losses under the CECL methodology is determined using the loss-rate approach and measured on a collective (pool) basis when similar risk characteristics exist. When financial instruments do not share risk characteristics, they are evaluated on an individual basis. The CECL allowance is based on relevant available information, from internal and external sources, relating to past events, current conditions and reasonable and supportable forecasts. The allowance for credit losses as of June 30, 2024, and change in the allowance for credit losses during the year ended June 30, 2024, was not material to the consolidated financial statements.

##### *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 non-lease components and account for them as a single lease component. ROU assets are subject to review for impairment. No impairment was identified during the years ended June 30, 2024 and 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.

##### *Property and Equipment*

Property and equipment are stated at cost less accumulated depreciation. Depreciation of equipment, software and computers is thirty-six months. Leasehold improvements are recorded at cost and are amortized over the life of the lease. 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.

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.

## International Research & Exchanges Board, Inc.

### Notes to Consolidated Financial Statements (Continued)

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

##### *Property and Equipment (Continued)*

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.

##### *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.

For the years ended June 30, 2024 and 2023, the Organization has documented its consideration of FASB ASC 740-10, Income Taxes, that provides guidance for reporting uncertainty in income taxes and have determined that no material uncertain tax positions qualify for either recognition or disclosure in the financial statements.

##### *Revenue Recognition for Grants and Contracts*

Certain federal and private grants and contracts represent an unconditional promise and are recognized when intent 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, 2024 and 2023, conditional contributions received in advance of \$6,390,890 and \$4,421,555, 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, 2024 and 2023, \$1,350,107 and \$1,611,086, respectively of conditional contributions from the Federal awards have not been recognized as revenue because qualifying expenditures have not yet been incurred. In addition, \$5,040,783 and \$2,810,469 of conditional contributions from private grants as of June 30, 2024 and 2023, 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 \$6,390,890 and \$4,421,555, respectively have been reported as refundable advances in the consolidated statements of financial position as of June 30, 2024, and 2023.

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.

## International Research & Exchanges Board, Inc.

### Notes to Consolidated Financial Statements (Continued)

#### **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 \$2,429,656 and \$2,421,495 in grants and contracts receivable that are due within 1-5 years as of June 30, 2024 and 2023, respectively. There is no material discount to present value as of June 30, 2024 and 2023 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, 2024 and 2023, respectively recorded in the consolidated statements of financial position. There was an allowance for doubtful accounts of \$36,397 and \$21,701 as of June 30, 2024 and 2023. Long-term grants and contracts receivable are valued at fair value on a non-recurring basis.

Certain 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.

## International Research & Exchanges Board, Inc.

### Notes to Consolidated Financial Statements (Continued)

#### **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 fringe and facilities which are embedded in the directly coded 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 headquarters-based staff salaries and benefits and the cost of temporary agency employees.

##### *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. AIER, and The International Research and Exchanges Board (Guaranteed) Limited are disregarded entities for U.S. Federal income tax purposes.

Additionally, in certain circumstances, IREX is required to withhold Federal income tax for payments of taxable scholarships, fellowships and grants to nonresident aliens. Federal income taxes withheld relating to this were approximately \$956,500 and \$1,869,900 for the years ended June 30, 2024 and 2023, respectively.

No provision for income taxes has been recorded in 2024 and 2023 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.

International Research & Exchanges Board, Inc.

Notes to Consolidated Financial Statements (Continued)

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

*Fair Value of Financial Instruments (Continued)*

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.

*Mutual Funds*

Investments in mutual funds are valued at the closing price reported on the active market on which the individual securities are traded. In addition to mutual funds, Long-term investment also includes 457(b) plans which are referenced in Note H – Retirement Plans.

*Grants and Contracts Receivable*

Grants and contracts receivable are recorded at their net realizable value, which approximates fair value. The allowance for doubtful accounts is determined based upon an annual review of account balances, including the annual revenue and exposure to unreimbursable expenses. As of June 30, 2024 and 2023, there was an allowance for doubtful accounts of \$705,897 and \$427,601, respectively. Grants and contracts receivable are expected to be received as follows:

	<u>2024</u>	<u>2023</u>
Amount Due in:		
Less than one year	\$ 14,594,216	\$ 13,917,609
One to five years	2,429,656	2,421,495
	<u>\$ 17,023,872</u>	<u>\$ 16,339,104</u>

*Accounts Receivable*

Accounts receivable are carried at their estimated collectible amounts. An allowance for doubtful accounts is provided when deemed necessary and is based on a review of each receivable, historical collection information, and existing economic conditions. Delinquent receivables are written off when management believes that all reasonable collection efforts have been exhausted. Management has evaluated accounts receivable at June 30, 2024 and 2023 and determined an allowance was not considered necessary. Bad debt expense for the years ended June 30, 2024 and 2023 was \$210,083 and \$6,254, respectively.



## International Research & Exchanges Board, Inc.

### Notes to Consolidated Financial Statements (Continued)

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

##### *Prepaid Assets*

Prepaid assets represent expenses paid in advance for goods or services that will benefit future periods as well as deposits and employee advances. IREX analyzes invoices and expenses exceeding a certain threshold to determine the appropriate period of benefit. Expenses benefiting future fiscal years are recognized as prepaid assets as of year-end. As of June 30, 2024, and 2023, the prepaid assets balance was \$5,818,457, and \$5,018,398 respectively.

##### *Accounts Payable*

Accounts payable represent obligations to vendors/recipients for goods and services received but not yet paid. IREX operates on an accrual basis. Therefore, any invoices accrued but not paid as of June 30 are recognized as Accounts Payable. As of June 30, 2024, and 2023, the Accounts Payable balance was \$15,468,928, and \$15,531,602 respectively.

##### *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.

##### *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.

##### *Reclassifications*

Certain 2023 amounts have been reclassified to conform with 2024 presentation.

##### *Subsequent Events*

IREX has evaluated its consolidated financial statements for subsequent events through April 14, 2025, the date the consolidated financial statements were available to be issued. See footnote N – Subsequent Events for additional information.

International Research & Exchanges Board, Inc.

Notes to Consolidated Financial Statements (Continued)

**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:

	<u>2024</u>	<u>2023</u>
Financial assets at year-end:		
Cash and cash equivalents	\$ 9,058,038	\$ 11,228,920
Accounts Receivable	96,730	-
Grants and contracts receivable, net	17,023,872	16,339,104
Short-term investments	267,144	252,747
Long-term investments	14,793,849	13,003,539
Total financial assets	<u>41,239,633</u>	<u>40,824,310</u>
Less amounts not available to be used within one year:		
Deferred compensation liability	625,571	493,029
Refundable advances	6,390,890	4,421,555
Net assets with donor restrictions	12,368,123	14,107,199
Grants and contracts receivable, net, due in greater than one year	2,429,656	2,793,045
	<u>21,814,240</u>	<u>21,814,828</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 19,425,393</u>	<u>\$ 19,009,482</u>

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.

International Research & Exchanges Board, Inc.

Notes to Consolidated Financial Statements (Continued)

**Note C – Contract Assets**

Contract assets, including certain grants and contracts receivables, consists of the following as of June 30, 2024 and 2023:

	Opening Balance FY 2024	Closing Balance FY 2024	Opening Balance FY 2023	Closing Balance FY 2023
Contract assets	<u>\$ 735,206</u>	<u>\$ 1,153,505</u>	<u>\$ 528,049</u>	<u>\$ 735,206</u>

**Note D – In-kind Support**

IREX recognized in-kind support of \$6,631,744 and \$8,534,495 for fiscal years 2024 and 2023, respectively. Non-cash support consisted of the following for the years ended June 30:

<u>Nonfinancial asset</u>	<u>2024</u>	<u>2023</u>	<u>Program benefited</u>	<u>Donor restriction</u>	<u>Valuation technique</u>
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	3,997,854	2,827,269	Leadership, Education	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	233,502	143,286	Information and Media, Leadership, Communities and Governance	No associated donor restrictions	Supplies are valued based on costs incurred by partner organizations.
Volunteer labor	1,896,608	3,093,097	Information and Media, Leadership, Communities and Governance, Education	No associated donor restrictions	Contributed services from volunteers are valued at the estimated fair market value based on current rates for similar services.
Other	503,780	463,762	Information and Media, Leadership, Communities and Governance, Education	No associated donor restrictions	IREX estimated the fair value based on current rates for similar services/goods.
Total In-kind support	<u>\$ 6,631,744</u>	<u>\$ 8,534,495</u>			

International Research & Exchanges Board, Inc.

Notes to Consolidated Financial Statements (Continued)

**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:

	<u>2024</u>	<u>2023</u>	<u>Level</u>
Short-term investments:			
Money market reserves and certificates of deposit	\$ 267,144	\$ 252,747	N/A
Total short-term investments	267,144	252,747	
Long-term investments:			
Mutual funds	14,793,849	13,003,539	1
Total long-term investments	14,793,849	13,003,539	
Total investments	<u>\$ 15,060,993</u>	<u>\$ 13,256,286</u>	

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

	<u>2024</u>	<u>2023</u>
Interest and dividends	\$ 571	\$ 149,068
Unrealized gains, net	1,733,508	954,054
Realized (losses) gains, net	(2,861)	274,987
Investment management fees	(31,389)	(27,683)
Investment return, net	<u>\$ 1,699,829</u>	<u>\$ 1,350,426</u>

**Note F - Property and Equipment**

Property and equipment consist of the following at June 30:

	<u>2024</u>	<u>2023</u>
Furniture, equipment and computer software	\$ 3,487,843	\$ 3,356,038
Leasehold improvements	5,236,701	2,977,761
	8,724,544	6,333,799
Accumulated depreciation	(6,594,337)	(5,516,195)
	<u>\$ 2,130,207</u>	<u>\$ 817,604</u>

The Organization recorded depreciation expense of \$586,405 and \$425,035 for the years ended June 30, 2024 and 2023, respectively.

International Research & Exchanges Board, Inc.

Notes to Consolidated Financial Statements (Continued)

**Note G – Net Assets with Donor Restrictions and Endowments**

As of June 30, 2024 and 2023, 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, 2024 and 2023, and accordingly, no net assets relating to this purpose were released from restriction.

Changes in endowment net assets for the year ended June 30, 2024 are as follows:

	Balance June 30, 2023	Investment Gains	Net Assets Released from Restriction	Balance June 30, 2024
Specific purpose:				
Humanities activities	\$ 973,456	\$ 50,886	\$ -	\$ 1,024,342
Perpetual in nature:				
Humanities activities	384,000	-	-	384,000
Mellon-endorsed activities	1,000,000	-	-	1,000,000
Total	<u>\$ 2,357,456</u>	<u>\$ 50,886</u>	<u>\$ -</u>	<u>\$ 2,408,342</u>

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	<u>\$ 2,319,390</u>	<u>\$ 38,066</u>	<u>\$ -</u>	<u>\$ 2,357,456</u>

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.

International Research & Exchanges Board, Inc.

Notes to Consolidated Financial Statements (Continued)

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

DG net assets with donor restrictions were as follows for the years ended June 30, 2024 and 2023:

	2024	2023
Education data-driven decision mapping research in East and West Africa	\$ 1,030	\$ 182,668
Digital Governance Design Clinics project	-	167,500
Digital Public	250,000	292,409
Open Heroine	1,861	1,861
Open Heroine Extension	-	51,920
Digital Activism Guide	30,000	30,000
Fertilizer Dashboard for Africa	568,761	1,638,957
Tobacco Data in Africa	-	513,371
Data on youth and tobacco in Africa	1,989,242	3,681,096
aLIVE implementation phase 2	2,475,289	4,017,690
Blockchain for Result	-	207,827
Digital Advisory Support Services for Accelerated Rural Transformation	230,357	964,444
Digital Advisory Support Services for Accelerated Rural Transformation	4,413,241	-
	<u>\$ 9,959,781</u>	<u>\$ 11,749,743</u>

DG net assets released from donor restrictions were as follows for the year ended June 30, 2024 and 2023:

	2024	2023
Education data-driven decision mapping research in East and West Africa	\$ 181,636	\$ -
Digital Governance Design Clinics project	167,500	-
Digital Public	292,409	160,000
Open Heroine Extension	51,919	102,918
Digital Activism Guide	-	60,000
Fertilizer Dashboard for Africa	1,070,197	1,749,137
Monitoring Seed Systems	-	698,672
Tobacco Data in Africa	513,371	2,223,410
Data on youth and tobacco in Africa	1,796,671	-
aLIVE implementation phase 2	1,670,742	-
Blockchain for Result	207,827	-
Digital Advisory Support Services for Accelerated Rural Transformation	734,087	909,820
Tobacco Control	541,053	-
	<u>\$ 7,227,412</u>	<u>\$ 5,903,957</u>

In total, net assets with donor restriction as of June 30, 2024 and 2023 were \$12,368,123 and \$14,107,199.

## International Research & Exchanges Board, Inc.

### Notes to Consolidated Financial Statements (Continued)

#### **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 accumulate 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. Any deficiencies for the Mellon Endowment or NEH restricted funds 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, 2024 or 2023.

#### **Note H – 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 2024 and 2023, IREX contributed \$1,762,698 and \$1,477,065, respectively, to the plan.

## International Research & Exchanges Board, Inc.

### Notes to Consolidated Financial Statements (Continued)

#### **Note H – Retirement Plans (Continued)**

##### *Defined Contributions Plans (Continued)*

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.

During the years ended June 30, 2024 and 2023, contributions to the Plan totaled \$87,893 and \$72,651, respectively, and were included in salaries and related benefits expense in the accompanying consolidated statements of functional expenses. As of June 30, 2024 and 2023, \$97,034 and \$22,254, 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, 2024 and 2023 of \$625,571 and \$493,029, 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, 2024 and 2023, contributions to the Plan totaling \$ 132,542 and \$126,368 were included in salaries and related benefits expense in the accompanying statement of functional expenses.

#### **Note I - 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 – 12 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. The lease runs from April 1, 2014 through March 31, 2025. The lease also contains yearly rental increases based on the terms of the lease agreement.

On December 7, 2023, IREX entered into a new lease for its headquarters office, that is expected to commence in November 2024 and is expected to expire in February of 2037. The cash payments under the lease are in the amount \$26,849,532 and will be further reduced by rent abatements of \$4,626,494. The agreement also includes a tenant improvement allowance of \$5,005,583.



International Research & Exchanges Board, Inc.

Notes to Consolidated Financial Statements (Continued)

**Note I – Leases (Continued)**

*Leases (Continued)*

The Organization's lease costs, terms and discount rates are as follows for the year ending June 30, 2024:

	2024	2023
Operating leases cost	\$ 2,713,033	\$ 2,471,147
Variable lease cost	22,135	12,007
Total lease cost	<u>\$ 2,735,168</u>	<u>\$ 2,483,155</u>

Other Information

ROU assets obtained in exchange for new operating lease liabilities	\$ 9,734,925	\$ 10,566,039
Cash paid for amounts included in the measurement of lease liabilities for lease	\$ 3,194,810	\$ 2,754,487
Weighted-average remaining lease term operating leases	2.18 years	2.43 years
Weighted-average discount rate – operating leases	3.41%	2.87%

Approximate future minimum lease payments are as follows:

<u>Year Ending June 30.</u>	
2025	\$ 2,620,029
2026	737,756
2027	625,220
2028	212,281
2029	34,216
Thereafter	8,134
Total undiscounted future lease payments	<u>4,237,636</u>
Less: present value adjustment	<u>(158,651)</u>
	<u>\$ 4,078,985</u>

Rent expense for the years ended June 30, 2024 and 2023 (including country offices) was \$2,589,743 and \$2,483,155, 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. DG recorded a right of use asset and lease liability for the space utilized and rented by DG. Effective October 1, 2023, DG assumed the entire lease and recorded a right of use asset and lease liability of \$8,904,538 and \$11,394,491, respectively. The right of use asset and lease liability recorded on the portion utilized and rented by DG under the original agreement was written off September 30, 2023.

Total occupancy expense for office space was \$851,202 and \$196,592 for the years ended June 30, 2024 and 2023, respectively. DG's weighted average discount rate for its finance lease was 1.35% and 2.88% and the weighted average remaining lease term was 8.67 and 9.67 years for the years ended June 30, 2024 and 2023, respectively.

International Research & Exchanges Board, Inc.

Notes to Consolidated Financial Statements (Continued)

**Note I – 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.

<u>Year Ending June 30,</u>	
2025	\$ 1,182,823
2026	1,212,394
2027	1,242,704
2028	1,273,771
2029	1,305,616
Thereafter	<u>5,068,803</u>
Total undiscounted future lease payments	11,286,111
Less present value adjustment	<u>(662,899)</u>
	<u>\$ 10,623,212</u>

**Note J - 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 13<sup>th</sup> Street). The security deposit, in the amount of \$272,324, 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 \$0 and \$136,161 as of June 30, 2024 and 2023.

**Note K - 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 \$705,897 and \$427,601 for potential disallowed costs as of June 30, 2024 and 2023, respectively. Management believes adjustments, if any, in excess of this reserve would not be material to the consolidated financial statements or major programs.

**Note L – 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 2025, \$9,467; 2026, \$26,140; 2027, \$26,868; 2028, \$27,616; 2029, \$38,386 and \$871,523 thereafter.

## International Research & Exchanges Board, Inc.

### Notes to Consolidated Financial Statements (Continued)

#### **Note M – Collaborative Arrangement and Acquisition**

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

As of June 30, 2023, DG’s equity in the collaborative agreement in the accompanying statements of financial position was a deficit of \$772,373. At June 30, 2023, Grants and contracts receivable, net of current portion, less discount in the statement of financial position included \$195,387 due from OGH. This receivable was written off during the year ended June 30, 2024. The accompanying statements of activities includes rental income (loss)-collaborative of \$49,313 and (\$66,000), respectively, for the years ended June 30, 2024 and 2023 as a result of the collaborative arrangement.

Effective October 1, 2023 the collaborative arrangement was terminated and DG assumed specified assets and liabilities of OGH and responsibility for operating OGH. DG’s portion of OGH’s change in net assets under the collaborative for July 1, 2023 through September 30, 2023 was \$49,313 and is recorded in the statement of activities as rental income - collaborative. OGH revenue and expenses from October 1, 2023 through June 30, 2024 are recorded in the statement of activities and schedule of functional expenses. DG recognized a contribution of \$271,415 on the assumption of OGH net of write offs of due from OGH.

#### **Note N – Subsequent Events**

On January 20, 2025, President Donald J. Trump signed an executive order directing the reevaluation and realignment of U.S. foreign aid programs. As a result of the order’s implementation, IREX incurred a significant reduction in federal funding, resulting in an approximate 50% decrease in its programmatic portfolio. Management responded by implementing proportional cost-cutting measures aligned with the decline in revenue.

This event does not impact the consolidated financial statements for the fiscal year ended June 30, 2024, and no adjustments have been made to the amounts disclosed in these consolidated financial statements.