

International Research & Exchanges Board, Inc.

Audited Consolidated Financial Statements

*Years ended June 30, 2022 and 2021
with Report of Independent Auditors*

International Research & Exchanges Board, Inc.

Audited Consolidated Financial Statements

Years ended June 30, 2022 and 2021

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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, 2022 and 2021, 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, 2022 and 2021, 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 26 percent and 0 percent, respectively, of consolidated total assets at June 30, 2022 and 2021, and total revenues constituting 5 percent and 0 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.

Johnson Lambert LLP

Vienna, Virginia
February 23, 2023

International Research & Exchanges Board, Inc.

Consolidated Statements of Financial Position

	June 30,	
	2022	2021
Assets		
Cash and cash equivalents	\$ 11,718,508	\$ 4,594,097
Short-term investments	250,876	280,690
Grants and contracts receivable, net of reserve for potential disallowed costs of approximately \$260,147 and \$156,600 for 2022 and 2021, respectively	7,231,533	8,594,598
Prepaid expenses and other assets	6,273,375	1,107,011
Property and equipment, net	1,158,558	1,239,265
Long-term investments	14,680,700	12,846,608
Total assets	<u>\$ 41,313,550</u>	<u>\$ 28,662,269</u>
Liabilities and net assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 12,802,144	\$ 7,149,307
Note Payable	1,000,000	-
Letter of credit loans payable	136,161	-
Refundable advances	5,575,911	5,639,550
Deferred revenue	62,036	26,550
Deferred rent	1,375,068	1,552,125
Deferred compensation liability	389,461	414,799
Total liabilities	21,340,781	14,782,331
Net assets:		
Without donor restrictions	8,506,460	11,500,782
With donor restrictions	11,466,309	2,379,156
Total net assets	<u>19,972,769</u>	<u>13,879,938</u>
Total liabilities and net assets	<u>\$ 41,313,550</u>	<u>\$ 28,662,269</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, 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
	<hr/>	<hr/>	<hr/>
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	<hr/>	<hr/>	<hr/>
	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	<hr/>	<hr/>	<hr/>
	18,395,809	-	18,395,809
	<hr/>	<hr/>	<hr/>
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)	<hr/>	<hr/>	<hr/>
	(159,686)	-	(159,686)
Investment (loss), net	<hr/>	<hr/>	<hr/>
	(2,017,314)	(59,766)	(2,077,080)
Change in net assets	<hr/>	<hr/>	<hr/>
	(2,994,322)	9,087,153	6,092,831
Net assets, beginning of year	<hr/>	<hr/>	<hr/>
	11,500,782	2,379,156	13,879,938
Net assets, end of year	<hr/>	<hr/>	<hr/>
	\$ 8,506,460	\$ 11,466,309	\$ 19,972,769

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, 2021

	Without donor restrictions	With donor restrictions	Total
Revenue and support			
Federal grants and contracts	\$ 64,284,947	\$ -	\$ 64,284,947
Private grants and contracts	5,763,835	-	5,763,835
Contributions	109,298	-	109,298
Other revenue	16,925	-	16,925
In-kind support	1,313,023	-	1,313,023
	<hr/>	<hr/>	<hr/>
Total revenue and other support	71,488,028	-	71,488,028
Expenses			
Program services:			
Information and Media	20,095,285	-	20,095,285
Education	8,467,227	-	8,467,227
Communities and Governance	14,582,437	-	14,582,437
Leadership	10,687,315	-	10,687,315
Youth	1,434,129	-	1,434,129
Other program services	1,795,420	-	1,795,420
Total program services	<hr/> 57,061,813	<hr/> -	<hr/> 57,061,813
Supporting services:			
Fundraising	6,806	-	6,806
Management and General – indirect	14,244,505	-	14,244,505
Total supporting services	<hr/> 14,251,311	<hr/> -	<hr/> 14,251,311
	<hr/>	<hr/>	<hr/>
Total expenses	71,313,124	-	71,313,124
Change in net assets before investment return, net	174,904	-	174,904
Investment return, net	<hr/> 2,627,498	<hr/> 93,975	<hr/> 2,721,473
Change in net assets	2,802,402	93,975	2,896,377
Net assets, beginning of year	<hr/> 8,698,380	<hr/> 2,285,181	<hr/> 10,983,561
Net assets, end of year	<hr/> <u>\$ 11,500,782</u>	<hr/> <u>\$ 2,379,156</u>	<hr/> <u>\$ 13,879,938</u>

See accompanying notes to the consolidated financial statements.

International Research & Exchanges Board, Inc.

Consolidated Statements of Functional Expenses

Years ended June 30, 2022 and 2021

	Program services						Supporting services			2022 Total Expenses	
	Information & Media	Education	Communities & Governance	Leadership	Youth, Learning & Impact, Other	Other	Programs Subtotal	Fundraising	Management & General - indirect		Supporting Subtotal
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

	Program services						Supporting services			2021 Total Expenses	
	Information & Media	Education	Communities & Governance	Leadership	Youth	Other	Programs Subtotal	Fundraising	Management & General - indirect		Supporting Subtotal
Salaries & benefits	\$ 7,071,756	\$ 3,914,493	\$ 4,981,453	\$ 4,910,745	\$ 970,784	\$ 777,251	\$ 22,626,482	\$ 454	\$ 9,780,402	\$ 9,780,856	\$ 32,407,338
Grants & contributions	7,274,908	2,401,323	6,697,495	1,462,411	123,167	890,189	18,849,493	-	-	-	18,849,493
Assistance to individuals	74,723	528,520	149,641	1,764,227	16,596	-	2,533,707	-	-	-	2,533,707
Professional services	3,949,429	707,683	1,308,356	871,494	102,313	79,238	7,018,513	6,122	2,604,290	2,610,412	9,628,925
Conferences	118,051	153,515	119,464	328,866	34,893	18,784	773,573	-	44,726	44,726	818,299
Travel	60,942	57,356	84,145	74,172	11,363	2,779	290,757	-	20,410	20,410	311,167
Occupancy	525,523	351,432	396,476	460,880	116,622	60,081	1,911,014	36	915,918	915,954	2,826,968
Equipment, supplies, & office operations	610,349	320,972	334,508	329,190	53,092	40,744	1,688,855	189	408,732	408,921	2,097,776
Depreciation	28,493	29,131	16,312	53,109	5,297	5,626	137,968	5	296,457	296,462	434,430
Other	51,022	2,496	(65,051)	9,231	2	(79,272)	(81,572)	-	173,570	173,570	91,998
In-kind support	330,089	306	559,638	422,990	-	-	1,313,023	-	-	-	1,313,023
Total expenses	\$ 20,095,285	\$ 8,467,227	\$ 14,582,437	\$ 10,687,315	\$ 1,434,129	\$ 1,795,420	\$ 57,061,813	\$ 6,806	\$ 14,244,505	\$ 14,251,311	\$ 71,313,124

See accompanying notes to the consolidated financial statements.

International Research & Exchanges Board, Inc.

Consolidated Statements of Cash Flows

	Years ended June 30,	
	2022	2021
Cash flows from operating activities		
Change in net assets	\$ 6,092,831	\$ 2,896,377
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	433,500	434,430
Reserve for potential disallowed costs	88,100	(79,600)
Net realized and unrealized loss (gain) on long-term investments	2,077,080	(2,721,473)
Net unrealized (gain) loss on 457b commitment	(25,338)	83,863
Inherent contribution from acquisition	(7,238,120)	-
Changes in assets and liabilities:		
Grants receivable	5,113,841	(1,648,094)
Prepaid expenses and other assets	(4,935,709)	(224,375)
Accounts payable and accrued expenses	4,894,986	1,753,725
Deferred rent	(330,734)	(302,222)
Refundable advances	(63,639)	1,215,034
Deferred revenue	(24,118)	(45,850)
Net cash provided by operating activities	<u>6,082,680</u>	<u>1,361,815</u>
Cash flows from investing activities		
Proceeds from sale of investments	1,296,002	1,034,122
Purchase of investments	(5,177,360)	-
Purchase of property and equipment	(352,793)	(210,929)
Cash and cash equivalents acquired from acquisition	4,449,549	-
Net cash provided by investing activities	<u>215,398</u>	<u>823,193</u>
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	<u>826,333</u>	<u>-</u>
Net change in cash and cash equivalents	7,124,411	2,185,008
Cash and cash equivalents, beginning of year	<u>4,594,097</u>	<u>2,409,089</u>
Cash and cash equivalents, end of year	<u>\$ 11,718,508</u>	<u>\$ 4,594,097</u>

See accompanying notes to the consolidated financial statements.

International Research & Exchanges Board, Inc.

Notes to Consolidated Financial Statements

Years ended June 30, 2022 and 2021

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 81 percent and 90 percent of the funds received in 2022 and 2021 including cost share, respectively, were through awards from the U.S. government.

The Academy for International Development Education and Research, Limited Liability Company (LLC) (AIDER) was registered as a limited liability company under the laws of the Commonwealth of Virginia effective March 1, 2017. The purpose of AIDER 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. AIDER has a subsidiary incorporated in the Republic of Turkey, Consultancy Solutions, Joint Stock Company (JSC), which is included in AIDER's financial results. Consultancy Solutions' legal entity structure was converted from a LLC to a JSC effective December 26, 2019. The change in legal entity structure did not result in any significant difference for financial reporting purposes. AIDER was dissolved effective July 29, 2020.

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 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.

International Research & Exchanges Board, Inc.

Notes to Consolidated Financial Statements (Continued)

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

Nature of Operations (continued)

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 G for further details regarding 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 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

In 2022, the Organization adopted the provisions of Accounting Standards Update (ASU) 2020-07, *Presentation and Disclosure by Not-for-Profit Entities for Contributed Nonfinancial Assets* (Topic 958). This accounting standard requires nonfinancial contributed assets, the use of nonfinancial contributed assets, or contributed services meeting the criteria for recording be presented separately from contributions of cash and other financial assets in the consolidated statement of activities and changes in net assets. Additionally, disclosure of the programs or activities for which contributed nonfinancial assets or services were used is required. ASU 2020-07 is effective for annual periods beginning after June 15, 2021 with early adoption permitted. The Organization adopted this ASU and applied its requirements retrospectively as required by the standard for the year ended June 30, 2022. There was no effect on the amounts reported in the consolidated financial statements as a result of the adoption.

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.

The ongoing COVID-19 coronavirus pandemic ("COVID-19") continues to have a global impact creating uncertainty, volatility, and disruption across economies and financial markets. The Organization's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak and its impact on the Organization, grantors, employees, and vendors. As such, COVID-19 could have a material adverse effect on the Organization's financial position in the future including impact on future grant revenues and/or fair value of the Organization's investments. The ultimate duration and impact of the COVID-19 outbreak on the Organization's financial position cannot be reasonably estimated at this time.

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

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, 2022 and 2021, conditional contributions received in advance of \$5,575,911 and \$5,639,550, 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, 2022 and 2021, \$1,768,550 and \$2,002,961, respectively of conditional contributions from the Federal awards have not been recognized as revenue because qualifying expenditures have not yet been incurred. In addition, \$3,807,361 and \$3,636,589 of conditional contributions from private grants as of June 30, 2022 and 2021, 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 \$5,575,911 and \$5,639,550, respectively have been reported as refundable advances in the consolidated statements of financial position as of June 30, 2022 and 2021.

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.

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 June 30, 2022, are included in grants and contracts receivable in the accompanying Statement of Financial Position. There are \$2,006,443 in grants and contracts receivable that are due within 1-5 years as of June 30, 2022. There were no long-term grants and contracts receivable as of June 30, 2021. There is no material discount to present value as of June 30, 2022 and 2021 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, 2022 and 2021 and there was no allowance for doubtful accounts as of June 30, 2022 and 2021. Long-term grants and contracts receivable are valued at fair value on a non-recurring basis. \$2,006,443 in additions to long-term grants and contracts receivable were assessed as Level 2 in the fair value hierarchy for the year ended June 30, 2022. 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).

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)

Revenue recognized on contracts for which billings have not been billed or received as of June 30, 2022, is included in grants and contracts receivable in the accompanying Statement of Financial Position. Contract funding received in advance of incurring the related expenses is recorded as deferred revenue in the accompanying Statement of Financial Position. Other exchange transactions include other income. Other income is recognized at a point in time, when received.

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 C for further details.

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.

International Research & Exchanges Board, Inc.

Notes to Consolidated Financial Statements (Continued)

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

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. AIDER, TWT, 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. A federal income taxes were withheld relating to this of approximately \$741,000 for the year ended June 30, 2022. A federal income tax refund was received relating to this of approximately \$(117,000) for the year ended June 30, 2021.

No provision for income taxes has been recorded in 2022 and 2021 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.

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

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.

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 23, 2023, the date the consolidated financial statements were available to be issued.

International Research & Exchanges Board, Inc.

Notes to Consolidated Financial Statements (Continued)

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

Reclassifications

Certain 2021 balances have been reclassified to conform to the 2022 presentation.

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:

	2022	2021
Financial assets at year-end:		
Cash and cash equivalents	\$ 11,718,508	\$ 4,594,097
Grants and contracts receivable, net	7,231,533	8,594,598
Short-term investments	250,876	280,690
Long-term investments	14,680,700	12,846,608
Total financial assets	33,881,617	26,315,993
Less amounts not available to be used within one year:		
Deferred compensation liability	389,461	414,799
Refundable advances	5,575,911	5,639,550
Net assets with donor restrictions	11,466,309	2,379,156
Grants and contracts receivable, net, due in greater than one year	2,006,443	-
	19,438,124	8,433,505
Financial assets available to meet general expenditures over the next twelve months	\$ 14,443,493	\$ 17,882,488

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, 2022, and 2021:

	Opening Balance FY 2022	Closing Balance FY 2022	Opening Balance FY 2021	Closing Balance FY 2021
Contract assets	\$ 513,263	\$ 528,049	\$ 285,205	\$ 513,263

Note D – In-kind Support

IREX recognized in-kind support of \$3,443,793 and \$1,313,023 for fiscal years 2022 and 2021, respectively. Non-cash support consisted of the following for the years ended June 30:

Nonfinancial asset	2022	2021	Program benefited	Donor restriction	Valuation technique
Education exchange services	\$ 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	2,022,785	597,689	Information and Media, Leadership, Communities and Governance	No associated donor restrictions	Supplies are valued based on costs incurred by partner organizations.
Volunteer labor	288,940	603,703	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.
Travel	-	60,767	Communities and Governance, Leadership	No associated donor restrictions	Travel is valued based on costs incurred by partner organizations.
Other	79,918	50,864	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	<u>\$ 3,443,793</u>	<u>\$ 1,313,023</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>2022</u>	<u>2021</u>	<u>Level</u>
Short-term investments:			
Money market reserves and certificates of deposit	\$ 250,876	\$ 280,690	N/A
Total short-term investments	250,876	280,690	
Long-term investments:			
Mutual funds	14,677,154	12,829,137	1
Common stock	3,546	17,471	1
Total long-term investments	14,680,700	12,846,608	
Total investments	<u>\$ 14,931,576</u>	<u>\$ 13,127,298</u>	

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

	<u>2022</u>	<u>2021</u>
Interest and dividends	\$ 28,503	\$ -
Unrealized (losses) gains, net	(2,329,065)	2,360,549
Realized gains, net	256,197	381,796
Investment management fees	(32,715)	(20,872)
Investment (loss) return, net	<u>\$ (2,077,080)</u>	<u>\$ 2,721,473</u>

Mutual Funds and Common Stock

Investments in fixed income, mutual funds and common stock are valued at the closing price reported on the active market on which the individual securities are traded.

Note F - Property and Equipment

Property and equipment consist of the following at June 30:

	<u>2022</u>	<u>2021</u>
Furniture, equipment and computer software	\$ 3,269,920	\$ 2,954,179
Leasehold improvements	2,977,761	2,948,870
	6,247,681	5,903,049
Accumulated depreciation	(5,089,123)	(4,663,784)
	<u>\$ 1,158,558</u>	<u>\$ 1,239,265</u>

The Organization recorded depreciation expense of \$433,500 and \$434,430 for the years ended June 30, 2022 and 2021, 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, 2022 and 2021, 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, 2022 and 2021, and accordingly, no net assets relating to this purpose were released from restriction.

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	<u>\$ 2,379,156</u>	<u>\$ (59,766)</u>	<u>\$ -</u>	<u>\$ 2,319,390</u>

Changes in endowment net assets for the year ended June 30, 2021 are as follows:

	Balance June 30, 2020	Investment Gains	Net Assets Released from Restriction	Balance June 30, 2021
Specific purpose:				
Humanities activities	\$ 901,181	\$ 93,975	\$ -	\$ 995,156
Perpetual in nature:				
Humanities activities	384,000	-	-	384,000
Mellon-endorsed activities	1,000,000	-	-	1,000,000
Total	<u>\$ 2,285,181</u>	<u>\$ 93,975</u>	<u>\$ -</u>	<u>\$ 2,379,156</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 as of June 30, 2022

Digital Public	\$	202,409
Open Heroine		1,861
Open Heroine Extension		154,837
Digital Activism Guide		90,000
Fertilizer Dashboard for Africa		3,388,095
Monitoring Seed Systems		698,671
Tobacco Data in Africa		2,736,782
Digital Advisory Support Services for Accelerated Rural Transformation		1,874,264
	\$	<u>9,146,919</u>

DG net assets released from donor restrictions were as follows for the year ended June 30, 2022. There were no DG net assets released from donor restrictions for year ended June 30, 2021 that are included in the accompanying statements of activities.

Digital Public	\$	238,915
Open Heroine Extension		45,163
Fertilizer Dashboard for Africa		1,150,893
Monitoring Seed Systems		1,298,244
Tobacco Data in Africa		1,441,995
Digital Advisory Support Services for Accelerated Rural Transformation		122,736
	\$	<u>4,297,946</u>

In total, net assets with donor restriction as of June 30, 2022 and 2021 were \$11,466,309 and \$2,379,156, respectively.

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.

International Research & Exchanges Board, Inc.

Notes to Consolidated Financial Statements (Continued)

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

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, 2022 or 2021.

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

International Research & Exchanges Board, Inc.

Notes to Consolidated Financial Statements (Continued)

Note H – Acquisition (Continued)

In accordance with GAAP, IREX recorded the excess of assets over liabilities as inherent contribution revenue during the year ended June 30, 2022. The assets and liabilities of the acquired organization at the acquisition date, along with the inherent contribution recognized by IREX as a result of the acquisition, are listed below:

	<u>Development Gateway, Inc.</u>	
Assets:		
Cash and cash equivalents	\$	4,449,549
Grants and contracts receivable		3,838,876
Deferred rent asset		18,164
Prepaid expenses and other assets		230,655
Total assets		<u>8,537,244</u>
Liabilities:		
Accounts payable and accrued expenses	\$	758,301
Note payable		150,000
Letter of credit loans payable		159,828
Deferred revenue		59,604
Deferred rent		171,841
Total liabilities		<u>1,299,574</u>
Inherent Contribution	\$	<u>7,238,120</u>

Out of the total inherent contribution, \$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 2022 and 2021, IREX contributed \$1,254,427 and \$1,165,278, 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.

International Research & Exchanges Board, Inc.

Notes to Consolidated Financial Statements (Continued)

Note I – Retirement Plans (Continued)

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, 2022 and 2021 of \$389,461 and \$414,799, 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, 2022 and 2021, contributions to the Plan totaling \$47,229 and \$0 were included in salaries and related benefits expense in the accompanying statement of functional expenses. As of June 30, 2022 and 2021, \$16,841 and \$0 of such expenses were accrued and included in accounts payable and accrued liabilities in the accompanying consolidated statements of financial position.

Note J - Commitments and Contingencies

Leases

The Organization leases certain facilities and equipment under non-cancelable operating lease agreements. Approximate future minimum lease payments are as follows:

<u>Year Ending June 30,</u>	
2023	\$ 2,811,398
2024	2,477,059
2025	1,898,585
2026	304,404
2027	294,903
Thereafter	1,287,652
	<u>\$ 9,074,001</u>

Rent expense for the years ended June 30, 2022 and 2021 (including field offices) was \$2,357,134 and \$2,213,436, respectively.

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 represents the difference between the minimum rental payments in accordance with the lease, and straight-line amortization of lease incentives.

Upon signing the lease agreement (for 1100 Vermont Avenue) for DG, the landlord required a security deposit of \$194,316 due in the form of a letter of credit. DG was responsible for \$123,316 and the co-tenant was responsible for the remaining \$71,000 (initial contribution). The entire letter of credit was established by DG and was held in cash and cash equivalents in the accompanying consolidated statement of financial position. The tenants shall deliver to landlord a consent to an amendment to the letter of credit reducing the amount of the letter of credit. On April 17, 2020, the landlord accepted an amendment to the letter of credit. As of June 30, 2022 and 2021 the balance of the letter of credit was \$0 and \$64,772. DG was 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 \$23,667 as of June 30, 2022 and 2021, respectively.

International Research & Exchanges Board, Inc.

Notes to Consolidated Financial Statements (Continued)

Note J - Commitments and Contingencies (Continued)

Leases (continued)

In 2020, DG paid a security deposit in the form of a letter of credit related to the new lease (for 1100 13th Street). The security deposit, in the amount of \$272,323, is held in cash and cash equivalents in the accompanying consolidated 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 is \$136,161 as of June 30, 2022 and 2021.

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 2021. Management has established a reserve of approximately \$260,147 and \$156,600 for potential disallowed costs as of June 30, 2022 and 2021, 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 October 14, 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. Aggregate maturities of the note payable during the next five fiscal years are: 2023, \$2,031; 2024, \$24,743; 2025, \$25,432; 2026, \$26,140; 2027, \$26,868 and \$894,786 thereafter.

Note M - 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 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, 2022 and 2021, accounts payable in the accompanying consolidated statements of financial position includes an amount of \$706,373 and \$0 with the other nonprofit. The accompanying consolidated statements of activities and changes in net assets includes rental loss in the amounts of \$159,686 and \$0 for the years ended June 30, 2022 and 2021 as a result of the arrangement mentioned above.