

INSTITUTE FOR GLOBAL ENGAGEMENT

FINANCIAL STATEMENTS

DECEMBER 31, 2019



Certified Public Accountants

Table of Contents

Independent Auditor's Report

Financial Statements

Statement of Financial Position	4
Statement of Activities	5
Statement of Functional Expenses	6
Statement of Cash Flows	7
Notes to Financial Statements	8 - 12



Certified Public Accountants

Independent Auditor's Report

To the Board of Directors
Institute for Global Engagement

We have audited the accompanying financial statements of **Institute for Global Engagement** (a nonprofit organization), which comprise the statement of financial position as of December 31, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **Institute for Global Engagement** as of December 31, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Kositzka, Wicks and Company

Alexandria, Virginia
June 29, 2020

Institute for Global Engagement

Statement of Financial Position December 31, 2019

Assets

Current assets

Cash and cash equivalents	\$	251,365
Grants receivable		21,455
		<u>272,820</u>

Property and equipment, net of accumulated depreciation

Total assets		4,384
	\$	<u>277,204</u>

Liabilities and net assets

Current liabilities

Accounts payable and accrued expenses	\$	38,410
Due to grant partners		1,605
		<u>40,015</u>

Net assets

Without donor restrictions		15,438
With donor restrictions		221,751
		<u>237,189</u>
Total liabilities and net assets	\$	<u>277,204</u>

The accompanying independent auditor's report and notes are an integral part of the financial statements.

Institute for Global Engagement

Statement of Activities for the year ended December 31, 2019

	Without donor restrictions	With donor restrictions	Total
Support and revenue			
Contributions and grants	\$ 624,313	\$ 577,349	\$ 1,201,662
Grants - U.S. Government	185,024	-	185,024
Interest income	190	-	190
Loss on currency exchange	(1,093)	-	(1,093)
Other income	993	-	993
Royalty income	14,086	-	14,086
Net assets released from restrictions	484,455	(484,455)	-
Total support and revenue	1,307,968	92,894	1,400,862
Expenses			
Program			
China	163,804	-	163,804
Southeast Asia	351,717	-	351,717
Central Asia	77,981	-	77,981
Center for Women, Faith and Leadership (CWFL)	194,975	-	194,975
Other	46,662	-	46,662
	<u>835,139</u>	<u>-</u>	<u>835,139</u>
Management and administration	265,731	-	265,731
Development	195,014	-	195,014
Total expenses	1,295,884	-	1,295,884
Change in net assets	12,084	92,894	104,978
Net assets, beginning of year	3,354	128,857	132,211
Net assets, end of year	\$ 15,438	\$ 221,751	\$ 237,189

The accompanying independent auditor's report and notes are an integral part of the financial statements.

Institute for Global Engagement

Statement of Functional Expenses for the year ended December 31, 2019

Expenses	Program expenses					Total program	Management & administration	Development	Total
	China	Southeast Asia	Central Asia	CWLF	Other				
Associates and honoraria	\$ 400	\$ 41,333	\$ -	\$ 26,900	\$ 36,376	\$ 105,009	\$ 7,391	\$ 1,950	\$ 114,350
Bank and credit card fees	3	61	310	27	10	411	3,253	-	3,664
Depreciation	-	-	-	-	-	-	2,245	-	2,245
Event fees and expenses	-	92,181	1,000	17,671	1,000	111,852	1,191	175	113,218
Insurance	240	-	-	-	-	240	6,814	-	7,054
Interest	-	-	-	-	-	-	605	-	605
Operational expenses	55	-	-	2,126	217	2,398	992	1,042	4,432
Personnel expenses	58,849	125,823	20,883	82,063	8,064	295,682	123,556	98,237	517,475
Publications	-	2,677	-	1,210	835	4,722	892	4,348	9,962
Professional services	7,860	6,412	28,418	12,720	100	55,510	79,023	66,064	200,597
Rent and utilities	-	-	-	-	-	-	2,472	-	2,472
Special projects-Beijing	88,257	-	-	-	-	88,257	-	-	88,257
Special projects-Laos	-	5,683	-	-	-	5,683	-	-	5,683
Special projects-Vietnam	-	55,072	-	-	-	55,072	-	-	55,072
Telephone and internet	389	242	246	326	60	1,263	12,012	-	13,275
Travel and transportation	7,751	22,233	27,124	51,932	-	109,040	25,285	23,198	157,523
Total expenses by function	\$ 163,804	\$ 351,717	\$ 77,981	\$ 194,975	\$ 46,662	\$ 835,139	\$ 265,731	\$ 195,014	\$ 1,295,884

The accompanying independent auditor's report and notes are an integral part of the financial statements.

Institute for Global Engagement

Statement of Cash Flows for the year ended December 31, 2019

Cash flows from operating activities

Change in net assets	\$ 104,978
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Depreciation	2,245
Change in allowance for doubtful accounts	
(Increase) decrease in operating assets	
Grants receivable	82,032
Advances to grant partners	6,514
Increase (decrease) in operating liabilities	
Accounts payable and accrued expenses	19,310
Due to grant partners	(28,405)
Deferred revenue	(51,652)
Net cash provided by operating activities	<u>135,022</u>

Cash flows from investing activities

Purchase of property and equipment	<u>(3,689)</u>
Net cash used in investing activities	<u>(3,689)</u>

Net change in cash and cash equivalents

131,333

Cash and cash equivalents, beginning of year

120,032

Cash and cash equivalents, end of year

\$ 251,365

Supplemental disclosure of cash flow information

Cash paid for interest	\$ -
Income taxes paid	<u>\$ -</u>

The accompanying independent auditor's report and notes are an integral part of the financial statements.

Institute for Global Engagement

Notes to Financial Statements December 31, 2019

1. Organization

The Institute for Global Engagement (IGE or the Organization) is a nonprofit, nonpartisan organization incorporated in the Commonwealth of Pennsylvania in April 2000. IGE promotes sustainable environments for religious freedom worldwide through local partners. It studies the impact of faith on state and society, it encourages governments to protect religious freedom, and it equips citizens to exercise that freedom responsibly. IGE's revenue sources include individual contributions, foundations and government grants.

2. Significant accounting policies

Basis of accounting

IGE's policy is to prepare its financial statements in accordance with accounting principles generally accepted in the United States of America under the accrual basis of accounting. In accordance with this method of accounting, revenue is recognized in the period in which it is earned and expenses are recognized in the period in which they are incurred. All revenue and expenses, which are applicable to future periods, have been presented as deferred revenue or prepaid expenses on the accompanying statement of financial position.

Financial statement presentation

The Organization is required to report information regarding its financial position and activities according to two classes of net assets: net assets with donor restrictions and net assets without donor restrictions.

Net assets without donor restrictions are net assets available for use in general operations and not subject to donor restrictions.

Net assets with donor restrictions are net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. See Note 9 for more information on net assets with donor restrictions.

Use of estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and cash equivalents

For purposes of the statements of cash flows, the Organization considers all cash and unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents. It is the Organization's policy not to classify certificates of deposit as cash and cash equivalents. FDIC insurance is \$250,000 per depositor, per insured bank. At times, amounts on deposit may exceed insured limits or include uninsured investments in money market mutual funds. To date, IGE has not experienced losses in any of these accounts.

See independent auditor's report.

Institute for Global Engagement

Notes to Financial Statements December 31, 2019

Grants and contributions receivable

Grants receivable are stated at the amount management expects to collect from outstanding balances and consists largely of unbilled expenses on federal grants. Contributions receivable consists of contributions received but not deposited before year-end. Management considers grants and contributions receivable to be fully collectible; accordingly, no allowance for doubtful accounts is required. Grants and contributions receivable as of December 31, 2019 are due in one year or less.

Advance to grant partners and Due to grant partners

I GE supports other organizations around the world, and its programs facilitate dialogue, research and education to work toward a shared understanding of the meaning and benefits of religious liberty. I GE advances agreed-upon amounts to the partners, who then submit reports to account for how the funds are spent. The amounts due to grant partners are funds spent by the partners that will be reimbursed by I GE.

Property and equipment

Property and equipment is recorded at cost if purchased and at fair value if donated. The Organization's policy is to capitalize purchases of property and equipment with a cost of \$500 or more. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets ranging from 3 to 5 years.

Compensated absences

Employees of the Organization are entitled to paid vacation depending on job classifications, length of service, and other factors. The accrued vacation policy disallows the carryover of unused vacation hours to the following year. Accordingly, there is no accrued vacation balance.

Revenue recognition

Federal grants and certain other grants are conditional upon certain performance requirements and the incurrence of allowable qualifying expenses. The revenue from these exchange transactions are transferred over time. Costs incurred in excess of cash received are contract assets and reflected as grants and contributions receivable.

Contributions and unconditional promises to give are recognized when the notification of a beneficial interest is received. I GE reports gifts of cash and other assets as restricted support, if they are received with donor stipulations that limit the use of the donated assets, or if they are designated as support for future periods. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Donor-restricted contributions, including grant revenue, whose restrictions are met in the same reporting period are reported as contributions without donor restrictions.

Functional classification of expenses

The costs of providing the programs and services are summarized on a functional basis in the accompanying financial statements. Accordingly, certain costs have been allocated among the programs and services benefited. Expenses have been allocated among the various programs, management and administration and fundraising functions based on a combination of specific identification and allocation by management. The expenses that are allocated include personnel expenses and professional services.

Fair value of financial assets and liabilities

Financial assets with carrying values approximating fair value include cash and cash equivalents, grants receivable, and prepaid expenses. Financial liabilities with carrying values approximating fair value include accounts payable and accrued expenses and deferred revenues. The carrying value of these financial assets and liabilities approximates fair value due to their short maturities and any associated interest rates approximate current market rates.

See independent auditor's report.

Institute for Global Engagement

Notes to Financial Statements December 31, 2019

Income taxes

The Organization is exempt from federal income tax as a nonprofit organization described in Section 501(c)(3) of the Internal Revenue Code and is classified as an organization other than a private foundation. The Organization did not have a liability for unrelated business income for the years ended December 31, 2019.

The material jurisdictions subject to potential examination by taxing authorities include the U.S., Pennsylvania, and Virginia. Management does not believe that the ultimate outcome of any future examinations of open tax years will have a material impact on IGE's results of operations. Tax years that remain subject to examination by the IRS are 2016 through 2019.

Recently adopted accounting pronouncements

The Financial Accounting Standards Board (FASB) has issued Accounting Standards Update (ASU) 2014-09 (as amended by ASU 2015-14), which provides a single comprehensive accounting standard for revenue recognition for contracts with customers and supersedes current industry-specific guidance. ASU 2014-09 is effective for annual reporting periods beginning after December 15, 2018. IGE adopted the standard on its effective date, which was January 1, 2019.

The FASB issued ASU 2018-08, Not-for-Profit Entities (Topic 958): *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This guidance clarifies how entities will determine whether to account for a transfer of assets (or a reduction, settlement or cancellation of a liability) as an exchange transaction or a contribution and how they will determine whether a contribution is conditional. ASU 2018-08 is effective for annual reporting periods beginning after December 15, 2018. IGE adopted the standard on its effective date, which was January 1, 2019.

The adoption of these ASU standards did not have a significant impact on IGE's financial statements. The timing and amount of revenue recognized previously is consistent with how revenue is recognized under the new standard. No changes were required to previously reported revenues as a result of the adoption.

3. Liquidity and availability

Financial assets available for general expenditure, that is, without donor and other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

	<u>2019</u>
Checking	\$ 251,365
Grants receivable	<u>21,455</u>
	272,820
Less amounts donor restricted for purpose	<u>(221,751)</u>
	<u>\$ 51,069</u>

IGE's goal is to maintain financial assets at a level equal to 90-180 days of operating expenses. The cash flows of the Organization vary from month-to-month depending upon the timing of contributions and grants.

See independent auditor's report.

Institute for Global Engagement

Notes to Financial Statements December 31, 2019

4. Property and equipment

Property and equipment consist of the following at December 31, 2019:

	<u>2019</u>	<u>Useful life (years)</u>
Computers and equipment	\$ 12,960	5
Website	13,500	3
	<u>26,460</u>	
Less accumulated depreciation	<u>(22,076)</u>	
	<u>\$ 4,384</u>	

Depreciation expense was \$2,245 for the year ended December 31, 2019.

5. Indirect costs

Indirect costs on federal grants and other contracts are recorded at the rate approved in the agreement. For the year ended December 31, 2019, the provisional indirect rate was 46.76 percent.

6. Employee status and benefit plans

For the year ended December 31, 2019, the common law employees of IGE were leased from Insuperity, a Professional Employer Organization. IGE retained its status of employer and control over day-to-day job duties over all common law employees.

IGE maintains a defined contribution plan that covers all eligible employees and contributed three percent of each employee's gross salary each pay period regardless of whether the employee elects to contribute for the year ended December 31, 2019. IGE contributed \$7,250 to the Plan for the year ended December 31, 2019.

7. Revenue from contracts with customers

The following table disaggregates IGE's revenue based on the timing of satisfaction of performance obligations for the year ended December 31, 2019:

Performance obligations satisfied over time	
Grants - U.S. Government	\$ 185,024
Other grants	51,654
Royalty income	14,086
	<u>\$ 250,764</u>

The following table provides information about significant changes in contract assets for the year ended December 31, 2019:

	<u>2018</u>	<u>Additions</u>	<u>Satisfactions</u>	<u>2019</u>
Contract assets - grants receivable	\$ 7,810	\$ 199,255	\$ (185,610)	\$ 21,455

See independent auditor's report.

Institute for Global Engagement

Notes to Financial Statements December 31, 2019

8. Concentration

During 2019, the Organization received 66 percent of its contributions from three donors.

9. Donor restricted net assets

For the year ended December 31, 2019, net assets were restricted for the following purposes:

	2018	Additions	Releases	2019
The Cradle Fund	\$ 39,105	\$ -	\$ (39,105)	\$ -
Center for Women, Faith & Leadership	28,027	3,000	(28,027)	3,000
Myanmar	-	20,000	(14,000)	6,000
China	59,536	-	(59,536)	-
Vietnam	2,189	-	(2,189)	-
Care for AIDS	-	9,165	(3,335)	5,830
Other programs	-	545,184	(338,263)	206,921
	<u>\$ 128,857</u>	<u>\$ 577,349</u>	<u>\$ (484,455)</u>	<u>\$ 221,751</u>

10. Subsequent events

The Organization assessed events occurring subsequent to December 31, 2019, through June 29, 2020 the date the financial statements were available to be issued, for potential recognition and disclosure in the financial statements.

Subsequent to year end, the COVID-19 pandemic has resulted in substantial uncertainty as to the ability to continue events and work overseas. At the time these financial statements were issued, the Organization has postponed two major grant-funded events to the fall of 2020 with the possibility they will be delayed further.

Under the "Coronavirus Aid, Relief, and Economic Security (CARES) Act" funds were appropriated for the SBA Paycheck Protection Program loans that are forgivable in certain situations to promote continued employment, as well as Economic Injury Disaster Loans to provide liquidity to small businesses and nonprofits harmed by COVID-19. The Organization has obtained a loan through the SBA Paycheck Protection Program of approximately \$83,000 during May 2020, but there is no assurance that the loan will be forgiven. Currently, the Organization is unable to determine the full impact that the CARES Act will have on its financial condition, results of operation, or liquidity.

No other events have occurred that would require adjustment to or disclosure in the financial statements.

See independent auditor's report.