QUINCY INSTITUTE FOR RESPONSIBLE STATECRAFT

FINANCIAL STATEMENTS

DECEMBER 31, 2021

QUINCY INSTITUTE FOR RESPONSIBLE STATECRAFT
TABLE OF CONTENTS
DECEMBER 31, 2021

INDEPENDENT AUDITOR'S REPORT

To The Board of Directors
Quincy Institute for Responsible Statecraft
Washington, D.C. 20006

Opinion

We have audited the accompanying financial statements of Quincy Institute for Responsible Statecraft (a nonprofit organization), which comprise the statement of financial position as of December 31, 2021, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Quincy Institute for Responsible Statecraft as of December 31, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 Quincy Institute for Responsible Statecraft and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Quincy Institute for Responsible Statecraft's ability to continue as a going concern within one year after the date that the 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 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 generally accepted 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

10711 Red Run Boulevard, Suite 101 | Owings Mills, MD 21117 | 800 King Farm Boulevard, Suite 500 | Rockville, MD 20850
410.356.1000 | toll free 800.356.7666 | fax 410.356.2892 | 301.917.3040 | fax 301.738.7060

there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Quincy Institute for Responsible Statecraft's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Quincy Institute for Responsible Statecraft'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.

Glass Jacobson

GLASS JACOBSON, P.A.

Rockville, Maryland
June 29, 2022

QUINCY INSTITUTE FOR RESPONSIBLE STATECRAFT
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2021

ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$	2,654,057
Grants & contributions receivable		1,018,783
Prepaid expenses		15,212
Deposits		8,300
Total current assets		3,696,352
LONG-TERM ASSETS		
Grants receivable		468,238
TOTAL ASSETS	$	4,164,590
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable & accrued expenses	$	23,514
Accrued vacation & sick compensation		3,785
Payroll liabilities payable		10,666
Lease obligation liabilities		664
Total current liabilities		38,629
NET ASSETS		
Without donor restrictions		1,250,410
With donor restrictions		2,875,551
Total net assets		4,125,961
TOTAL LIABILITIES AND NET ASSETS	$	4,164,590

QUINCY INSTITUTE FOR RESPONSIBLE STATECRAFT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2021

	NET ASSETS WITHOUT DONOR RESTRICTIONS	NET ASSETS WITH DONOR RESTRICTIONS	NET ASSETS TOTAL
SUPPORT AND REVENUE			
Grants income	$ 1,923,418	$ 3,012,118	$4,935,536
Contribution income	988,295	-	988,295
Investment income	1,458	-	1,458
Other income	2,188	-	2,188
Net assets released from restrictions: restrictions satisfied by payments	136,567	(136,567)	-
Total support and revenue	3,051,926	2,875,551	5,927,477
EXPENSES			
Program services	3,003,571	-	3,003,571
Supporting services			
Management and general	279,992	-	279,992
Fundraising	386,277	-	386,277
Total supporting services	666,269	-	666,269
Total expenses	3,669,840	-	3,669,840
CHANGE IN NET ASSETS	(617,914)	2,875,551	2,257,637
NET ASSETS AT BEGINNING OF YEAR	1,868,324	-	1,868,324
NET ASSETS AT END OF YEAR	$ 1,250,410	$ 2,875,551	$4,125,961

QUINCY INSTITUTE FOR RESPONSIBLE STATECRAFT
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2021

	Program Services									Supporting Services			
	General Program	Grand Strategy Program	Democratizing Foreign Policy Program	Middle East Program	East Asia Program	Communication	Responsible Statecraft Program	Advocacy	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total Expenses
Salaries & employee benefits	$ 895,689	$ 180,077	$ 99	$ 387,765	$ 472,473	$ 329	$ 398,026	$ 114,000	$ 2,448,458	$ 209,420	$ 334,054	$ 543,474	$ 2,991,932
Accounting	-	-	-	-	-	-	-	-	-	39,190	-	39,190	39,190
Advertising	8,006	-	-	3,455	-	-	-	-	11,461	-	-	-	11,461
Communications	21,000	24,750	-	4,795	1,000	-	-	-	51,545	-	-	-	51,545
Consultants and other professional fees	74,849	82,703	-	14,480	49,635	-	68,521	-	290,188	-	14,534	14,534	304,722
Copyright	1,206	-	-	-	-	-	11,688	-	12,894	-	-	-	12,894
Dues & subscriptions	2,116	60	-	1	803	-	1	-	2,981	792	171	963	3,944
Equipment expense	2,953	1,314	-	2,733	-	-	1,981	2,703	11,684	3,272	2,681	5,953	17,637
Insurance	3,301	547	-	1,439	1,679	-	1,451	474	8,891	4,723	1,216	5,939	14,830
Legal	-	-	-	-	-	-	500	-	500	-	-	-	500
Office supply and expense	3,868	335	-	428	612	-	535	30	5,808	9,377	8,924	18,301	24,109
Professional development	-	-	-	-	580	-	-	-	580	-	-	-	580
Rent	34,242	3,816	-	14,808	15,614	-	14,361	5,449	88,290	7,822	12,320	20,142	108,432
Systems	34,585	-	-	84	-	-	147	-	34,816	1,303	6,294	7,597	42,413
Travel and meetings	16,985	1,218	163	4,759	1,036	-	405	-	24,566	3,985	6,083	10,068	34,634
Website	10,909	-	-	-	-	-	-	-	10,909	108	-	108	11,017
TOTAL EXPENSES	$ 1,109,709	$ 294,820	$ 262	$ 434,747	$ 543,432	$ 329	$ 497,616	$ 122,656	$ 3,003,571	$ 279,992	$ 386,277	$ 666,269	$ 3,669,840

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

QUINCY INSTITUTE FOR RESPONSIBLE STATECRAFT
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2021

CASH FLOWS FROM OPERATION ACTIVITIES		
Change in Net Assets	$	2,257,637
Adjustments to reconcile changes in net assets to net cash		
(used) provided by operating activities:		
(Increase) decrease in assets:		
Grants & contributions receivable		(1,102,414)
Prepaid expenses		(3,126)
Deposits		(6,238)
Increase (decrease) in liabilities:		
Accounts payable & accrued expenses		(88)
Accrued vacation & sick compensation		(1,365)
Payroll liabilities payable		(98)
Lease obligation liability		664
NET CASH PROVIDED BY OPERATING ACTIVITIES		1,144,972
NET INCREASE IN CASH AND CASH EQUIVALENTS		1,144,972
CASH AT BEGINNING OF YEAR		1,509,085
CASH AT END OF YEAR	$	2,654,057
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Interest expense	$	-

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES AND FINANCIAL POLICIES

Organization

The Quincy Institute for Responsible Statecraft (the Institute) is a not-for-profit organization as defined under Section 501(c)(3) of the Internal Revenue Code. The Institute was incorporated in the District of Columbia on June 27, 2019 and commenced independent operating activities on January 1, 2020. The Institute operated under a fiscal sponsorship until July 31, 2020. The Institute's primary purpose is to promote ideas that move U.S. foreign policy away from endless war and toward vigorous diplomacy in the pursuit of international peace. The Institute's vision is a world where peace is the norm and war the exception.

Basis of presentation

Financial statement presentation complies with FASB ASC 958-205. Under FASB ASC 958-205, the Institute is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. In addition, the Institute is required to present a statement of cash flows.

Method of accounting

The accompanying financial statements have been prepared in accordance with generally accepted accounting principles for not-for-profit organizations. They are stated on the accrual basis and include all material receivables and payables.

Revenue recognition

The Institute follows both guidance issued on Accounting Standards Update (ASU) 2014-09, Revenue Recognition – Revenue from Contracts with Customers (Topic 606) and Accounting Standards Update 2018-08, Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance of Contributions Received and Contributions Made (Topic 958).

ASU 2018-08 clarifies and improves guidance for contributions and grants received and contributions made and provides guidance to organizations on how to account for certain exchange transactions. This change is preferable in that it clarifies whether to account for transactions as contributions or as exchange transactions. In addition, it clarifies whether a contribution is conditional. Contributions should follow the guidance of FASB Accounting Standards Codification (FASB ASC) 958-605, Not-for-Profit Entities–Revenue Recognition, whereas, for exchange transactions, an entity should follow other guidance such as FASB ASC 606, Revenue from Contracts with Contributors.

Revenue is predominantly derived from contributions. Revenues from donors are recognized when promised to give and are recorded as support with donor restrictions or support without donor restrictions depending on the donor-imposed restrictions, if any.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES AND FINANCIAL POLICIES (CONTINUED)

Revenue recognition (continued)
All contributions restricted by the donor are reported as an increase in net assets with donor restrictions, depending on the terms of the restriction. When a restriction expires, i.e., when a stipulated restriction ends or purpose restriction is fulfilled, net assets with donor restrictions are reclassified and reported in the statement of activities as net increases in net assets without donor restrictions in the reporting period the restrictions are fulfilled.

Classification of net assets
Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor–imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

- With Donor Restrictions: Net assets subject to donor-imposed stipulations that specifically restrict funds for use of various purposes or time periods.

- Without Donor Restrictions: Net assets not subject to donor-imposed stipulations are available for support of the Society's operations.

Fixed assets
Property and equipment are recorded at cost. Items costing less than $5,000 are charged to expense when acquired. Depreciation of furniture and equipment is calculated using the straight-line basis over the estimated useful lives of the related assets, generally three to five years. The costs of maintenance and repairs are recorded as expenses are incurred. All property and equipment purchased for the year ended December 31, 2021 was expensed when acquired as the costs per item were less than $5,000.

Statement of cash flows
The Institute maintains a checking and cash account at a financial institution. The Institute considers all highly liquid investments, including money market accounts, with a maturity of three months or less when purchased to be cash equivalents. The Institute currently does not have any money market accounts.

Activities and supporting services
Program expenses of the Institute are as follows:

General Program:
The Quincy Institute's General program includes the cross-cutting elements of the Institute's work to forge a new foreign policy centered on diplomatic engagement and military restraint through scholarship and convenings by staff and non-resident fellows.

Democratizing Foreign Policy:
The Democratizing Foreign Policy program engages in scholarship and investigative journalism on the links between militarized foreign policy and its impacts in the United States.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES AND FINANCIAL POLICIES (CONTINUED)

Activities and supporting services (continued)

Grand Strategy:
The Grand Strategy program conducts and disseminates research on the costs and dangers of America's current grand strategy of primacy – a military force posture of global dominance – and the underlying factors that support this strategy.

Middle East:
The Quincy Institute's Middle East program promotes a basic reorientation of U.S. policy toward the region through policy scholarship, research and writing.

East Asia:
The East Asia program conducts research and communications on the size and nature of the challenge China and North Korea pose to the United States, and it advances a balanced alternative to the current U.S. strategy of dominance in East Asia.

Communication
The Communications program produces and disseminates the research of our foreign policy scholars and makes it accessible to expert audiences and the broader public.

Responsible Statecraft:
Responsible Statecraft is the Quincy Institute's online magazine, which publishes pro-diplomacy and military restraint analysis and research.

Advocacy
The Advocacy program promotes and distributes Quincy Institute publications to congressional and administration policymakers. It also engages in broad educational work, as well as permissible levels of advocacy in support of specific legislative policy.

General and administrative expenses include those that are not directly identifiable to any one activity or donor stipulation, but provide overall support and direction of the Institute as a whole. These include functions necessary to maintain an equitable employment program and manage financial and budgetary responsibilities of the Institute.

Income taxes
The Institute is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code as a publicly supported organization. However, the Institute is subject to tax on net income derived from any such unrelated business activities as provided for under the current tax law. To date, the Institute has not engaged in any such activities.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES AND FINANCIAL POLICIES (CONTINUED)

Income taxes (continued)
The Institute follows the provisions of FASB ASC 740-10-25, Accounting for Uncertainty in Income Taxes, which clarifies the accounting and recognition for income tax positions taken or expected to be taken in the Institute's income tax returns. The Institute's income tax filings are subject to audit by various taxing authorities within the three year open audit periods of 2018–2020. For the year ended December 31, 2021, the Institute has documented its consideration of FASB ASC 740-10 and determined that no material uncertain tax positions qualify for either recognition or disclosure in the financial statements.

Use of estimates
The preparation of financial statements in conformity with the accounting principles generally accepted in the United States of America require management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Functional allocation of expenses
All costs of providing the various programs and other activities have been summarized on a functional basis in the statement of functional expenses. The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include, but not limited to, office and occupancy costs, salaries, and benefits. All of the shared costs are allocated based on salary percentages. Salary percentages are determined based on actual time and effort.

Grants and contributions receivable
The Institute's grants and contributions receivable represent amounts received from established funders that historically satisfy their obligations. Therefore, no allowance for collectability has been established.

NOTE 2 - INVESTMENT INCOME

Investment income for the year ended December 31, 2021 is comprised of the following:

	Interest Income
Money Institutes/Cash	$ 1,458

There are no investment expenses.

NOTE 3 - RETIREMENT PLANS

The Institute sponsors a tax-deferred annuity retirement plan (the “Plan”). The Plan was adopted in October, 2020. The Institute uses the Basic Safe Harbor Match. Upon employment, employees are immediately eligible to contribute a percentage of their salary on a pre-tax basis to the Plan. After six months of employment, employees over 21 years of age are eligible for employer contributions. The Institute matches 100% of the first 3% for each employee’s contributions and 50% of the next 2%. Employees are required to contribute to their 401K in order to get the match. For the year ended December 31, 2021, the Institute made contributions of $82,120 to the Plan.

NOTE 4 - NET ASSETS WITH DONOR RESTRICTIONS

The Institute’s net assets with donor restrictions for the year ended December 31, 2021 are as follows:

Programs - restricted		
Charles Koch Institute	$	50,000
The William and Mary Greve Foundation		150,000
Shagbark Hickory Fund		1,428,238
Ploughshares Fund		75,000
Center for International Policy		100,000
Grant - time restricted		
Periods after December 31, 2021		
Carnegie Corporation		150,000
Colombe Foundation		37,500
Rockefeller Brothers Fund		375,833
Lannan Foundation		6,480
Prospect Hill Foundation		2,500
The Salkind Family		500,000
Total net assets with donor and time restrictions	$	2,875,551

NOTE 5 - CONCENTRATION OF CREDIT RISK

The Institute maintains two bank accounts at the same banking institution. Amounts at an institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000. As of December 31, 2021, the Institute’s cash balance at their banking institution exceeded federally insured limits by $2,385,719. The Institute has not experienced any losses related to these accounts and believes it is not exposed to significant credit risk on cash and cash equivalents.

NOTE 6 - CONCENTRATIONS

For the year ended December 31, 2021, the Institute received 99.94% of its income from grants and contributions. Nearly 29% of its grant income and 24% of its total revenue and support for the year ended December 31, 2021, are derived from one grant.

NOTE 7 - LEASE COMMITMENTS

At December 31, 2021, the Institute's lease obligation for leased office space is as follows:

Years ending December 31,	
2022	$ 200,528
2023	135,456
	$ 335,984

Total rent charged to operations for the year ended December 31, 2021 was $108,432.

NOTE 8 - FAIR VALUE MEASUREMENTS

The Institute complies with FASB ASC 820-10 as amended. FASB ASC 820-10 requires that fair value be determined by providing a fair value hierarchy consisting of three levels, generally ranging from the most objective determination of fair value to the most subjective. The levels vary depending on the objectivity of the information used in valuation techniques to determine fair value. These levels are referred to as categories of input into those techniques. The three general valuation levels that may be used to measure fair value are as described below:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Institute 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 asset or liability;
- Inputs that are derived principally from, or corroborated by, observable market data by correlation or other means.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair market value. They are the most subjective, are generally based on the entity's own assumptions on how knowledgeable parties would price assets or liabilities, and are developed using the best information available in the circumstances.

NOTE 8 - FAIR VALUE MEASUREMENTS (CONTINUED)

As of December 31, 2021, the Institute currently does not have any time deposit financial instruments that must be measured under FASB ASC 820-10. The Institute also currently does not have notes receivable, nonfinancial assets, or nonfinancial liabilities that are required to be measured at fair value on a recurring basis under FASB ASC 820-10.

NOTE 9 - DISCOUNTING CONTRIBUTIONS RECEIVABLE

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Discount amortization is included in contribution revenue. Conditional promises to give are not included as support until the conditions are met.

Grants are expected to be realized in the following periods:

Between one year and five years	$	480,000
Less: discount at 2.51%		11,762
	$	468,238

NOTE 10 - LIQUIDITY

The following reflects the Institute's financial assets as of the statement of financial position sheet date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the statement of financial position sheet date.

Cash and cash equivalents	$	2,654,057
Grants & contribution receivable, current		1,018,783
Financial assets, at year-end		3,672,840
Less: donor restricted net assets		2,875,551
Financial assets available to meet cash needs for general expenditure within one year	$	797,289

NOTE 10 - LIQUIDITY (CONTINUED)

The Institute is supported by restricted contributions. Because a donor's restriction requires resources to be used in a particular manner or in a future period, the Institute must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditures within one year.

As a part of the Institute's liquidity management, it has a policy to structure its financial assets to be available for its general expenditures, liabilities and other obligations due.

NOTE 11 - SUBSEQUENT EVENTS

Subsequent events are defined as events or transactions that occur after the statement of financial position date through the date that the financial statements are available to be issued. Management has performed an evaluation as of June 29, 2022, the date the financial statements were available to be issued, that there are no subsequent events requiring disclosure.