# QUINCY INSTITUTE FPOR
# RESPONSIBLE STATECRAFT

**Washington, D.C.**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2023**

## C O N T E N T S

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# INDEPENDENT AUDITOR'S REPORT

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

## Opinion

We have audited the financial statements of Quincy Institute for Responsible Statecraft (a nonprofit organization), which comprise the statements of financial position as of December 31, 2023 and 2022, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Quincy Institute for Responsible Statecraft as of December 31, 2023 and 2022, and the changes in its net assets, functional expenses and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## Basis for Opinion

We conducted our audits 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 audits. 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 issued or available to be issued.

75th ANNIVERSARY 1947 - 2022

**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 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.

Yount, Hyde & Barbour, P.C.

Winchester, Virginia
May 23, 2024

**QUINCY INSTITUTE FOR RESPONSIBLE STATECRAFT**

**Statements of Financial Position**
December 31, 2023 and 2022

| **Assets** | **2023** | **2022** |
|---|---|---|
| **Current Assets** | | |
| Cash and cash equivalents | $ 1,307,712 | $ 3,328,173 |
| Grants and contributions receivable | 1,416,000 | 670,075 |
| Prepaid expenses | 37,762 | 38,197 |
| Other receivables | - - | 129 |
| Deposits | 8,300 | 8,300 |
| Total current assets | 2,769,774 | 4,044,874 |
| **Other Assets** | | |
| Grants and contributions receivable, net of $56,716 discount | 693,284 | - - |
| Investments | 3,199,929 | - - |
| Right-of-use assets - operating | 502,227 | 179,721 |
| Intangible assets - website | 94,983 | - - |
| Total other assets | 4,490,423 | 179,721 |
| | $ 7,260,197 | $ 4,224,595 |
| **Liabilities and Net Assets** | | |
| **Current Liabilities** | | |
| Accounts payable and accrued expenses | $ 26,930 | $ 41,088 |
| Current maturities of operating lease liabilities | 295,354 | 186,321 |
| Total current liabilities | 322,284 | 227,409 |
| **Operating lease liabilities,** less current maturities | 207,908 | - - |
| **Net Assets** | | |
| Without donor restrictions | 2,286,901 | 1,824,134 |
| With donor restrictions | 4,443,104 | 2,173,052 |
| Total net assets | 6,730,005 | 3,997,186 |
| | $ 7,260,197 | $ 4,224,595 |

See Notes to Financial Statements.

## QUINCY INSTITUTE FOR RESPONSIBLE STATECRAFT

### Statement of Activities

For the Year Ended December 31, 2023

| | Net Assets Without Donor Restrictions | Net Assets With Donor Restrictions | Net Assets Total |
|---|---|---|---|
| **Support and Revenue** | | | |
| Grants income | $ 66,188 | $ 6,044,584 | $ 6,110,772 |
| Contribution income | 2,761,090 | - - | 2,761,090 |
| Investment return | (1,629) | - - | (1,629) |
| Other income | 108 | - - | 108 |
| Net assets released from restrictions, restrictions satisfied by payments | 3,774,532 | (3,774,532) | - - |
| Total support and revenue | 6,600,289 | 2,270,052 | 8,870,341 |
| **Expenses** | | | |
| Program services | 5,103,004 | - - | 5,103,004 |
| Supporting services: | | | |
| Management and general | 581,456 | - - | 581,456 |
| Fundraising | 453,062 | - - | 453,062 |
| Total expenses | 6,137,522 | - - | 6,137,522 |
| Change in net assets | 462,767 | 2,270,052 | 2,732,819 |
| **Net Assets** | | | |
| Beginning of year | 1,824,134 | 2,173,052 | 3,997,186 |
| End of year | $ 2,286,901 | $ 4,443,104 | $ 6,730,005 |

See Notes to Financial Statements.

## QUINCY INSTITUTE FOR RESPONSIBLE STATECRAFT

**Statement of Activities**
For the Year Ended December 31, 2022

| | Net Assets Without Donor Restrictions | Net Assets With Donor Restrictions | Net Assets Total |
|---|---|---|---|
| **Support and Revenue** | | | |
| Grants income | $ 1,649,947 | $ 1,288,931 | $ 2,938,878 |
| Contribution income | 1,918,216 | - - | 1,918,216 |
| Investment return | 329 | - - | 329 |
| Other income | 1,787 | - - | 1,787 |
| Net assets released from restrictions, restrictions satisfied by payments | 1,991,430 | (1,991,430) | - - |
| Total support and revenue | 5,561,709 | (702,499) | 4,859,210 |
| **Expenses** | | | |
| Program services | 4,160,186 | - - | 4,160,186 |
| Supporting services: | | | |
| Management and general | 413,166 | - - | 413,166 |
| Fundraising | 414,633 | - - | 414,633 |
| Total expenses | 4,987,985 | - - | 4,987,985 |
| Change in net assets | 573,724 | (702,499) | (128,775) |
| **Net Assets** | | | |
| Beginning of year | 1,250,410 | 2,875,551 | 4,125,961 |
| End of year | $ 1,824,134 | $ 2,173,052 | $ 3,997,186 |

See Notes to Financial Statements.

**QUINCY INSTITUTE FOR RESPONSIBLE STATECRAFT**

**Statement of Functional Expenses**
For the Year Ended December 31, 2023

| | Program Services | | | | | | | | | | | Supporting Services | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | General Program | Grand Strategy Program | Democratizing Foreign Policy Program | Middle East Program | East Asia Program | Communication | Eurasia | Responsible Statecraft Program | Advocacy | Global South | Total Program Services | Management and General | Fundraising | Total Supporting Services | Total Expenses |
| Salaries and employee benefits | $ 856,341 | $ 202,017 | $ 343,438 | $ 434,295 | $ 329,364 | $ 599,025 | $ 186,604 | $ 563,712 | $ 201,361 | $ 78,714 | $ 3,794,871 | $ 443,152 | $ 404,473 | $ 847,625 | $ 4,642,496 |
| Accounting | - - | - - | - - | - - | - - | - - | - - | - - | - - | - - | - - | 38,606 | - - | 38,606 | 38,606 |
| Advertising | 994 | - - | - - | - - | - - | 43,414 | - - | - - | 70 | - - | 44,478 | - - | - - | - - | 44,478 |
| Communications | - - | - - | - - | 5,000 | - - | 170,235 | - - | - - | - - | - - | 175,235 | - - | - - | - - | 175,235 |
| Consultants and other professional fees | 33,973 | - - | 1,960 | 3,910 | 8,940 | 18,255 | 104,250 | 68,600 | 10,877 | - - | 250,765 | 744 | 7,523 | 8,267 | 259,032 |
| Copyright | 5,217 | - - | - - | - - | - - | - - | - - | 13,167 | - - | - - | 18,384 | - - | - - | - - | 18,384 |
| Dues and subscriptions | 8,171 | - - | - - | 534 | 226 | 991 | 2,099 | 93 | - - | - - | 12,114 | 602 | 567 | 1,169 | 13,283 |
| Equipment expense | 7,442 | - - | - - | 2,342 | - - | 7,319 | - - | 2,491 | 1,642 | 1,330 | 22,566 | 4,259 | - - | 4,259 | 26,825 |
| Insurance | 5,726 | 1,338 | 2,167 | 2,882 | 2,166 | 3,900 | 1,258 | 3,782 | 1,322 | 512 | 25,053 | 8,080 | 2,710 | 10,790 | 35,843 |
| Office supply and expense | 3,869 | 52 | 85 | 104 | 146 | 3,058 | 2,244 | 264 | 559 | 47 | 10,428 | 41,061 | 11,231 | 52,292 | 62,720 |
| Occupancy expense | 47,053 | 13,265 | 17,297 | 24,452 | 15,398 | 38,326 | 14,063 | 35,229 | 14,474 | 8,555 | 228,112 | 28,126 | 21,694 | 49,820 | 277,932 |
| Systems | 58,488 | 17 | 12 | 67 | 12 | 10,287 | 443 | 160 | 13,559 | - - | 83,045 | 2,597 | 131 | 2,728 | 85,773 |
| Travel and meetings | 219,443 | 2,996 | 76,457 | 14,378 | 13,411 | 17,725 | 49,458 | 3,407 | 13,939 | 2,440 | 413,654 | 14,062 | 4,733 | 18,795 | 432,449 |
| Website | 1,633 | - - | - - | - - | - - | 4,666 | - - | 18,000 | - - | - - | 24,299 | 167 | - - | 167 | 24,466 |
| | $ 1,248,350 | $ 219,685 | $ 441,416 | $ 487,964 | $ 369,663 | $ 917,201 | $ 360,419 | $ 708,905 | $ 257,803 | $ 91,598 | $ 5,103,004 | $ 581,456 | $ 453,062 | $ 1,034,518 | $ 6,137,522 |

See Notes to Financial Statements.

**QUINCY INSTITUTE FOR RESPONSIBLE STATECRAFT**

**Statement of Functional Expenses**

For the Year Ended December 31, 2022

| | Program Services | | | | | | | | | | Supporting Services | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | General Program | Grand Strategy Program | Democratizing Foreign Policy Program | Middle East Program | East Asia Program | Communication | Eurasia | Responsible Statecraft Program | Advocacy | Total Program Services | Management and General | Fundraising | Total Supporting Services | Total Expenses |
| Salaries and employee benefits | $ 578,293 | $ 126,098 | $ 228,337 | $ 726,537 | $ 353,589 | $ 415,918 | $ - - | $ 410,003 | $ 196,971 | $ 3,035,746 | $ 287,572 | $ 367,805 | $ 655,377 | $ 3,691,123 |
| Accounting | - - | - - | - - | - - | - - | - - | - - | - - | - - | - - | 35,460 | - - | 35,460 | 35,460 |
| Advertising | 288 | - - | - - | - - | - - | 4,638 | - - | - - | - - | 4,926 | - - | - - | - - | 4,926 |
| Communications | 19,964 | 38,000 | - - | - - | - - | 129,379 | - - | - - | - - | 187,343 | - - | - - | - - | 187,343 |
| Consultants and other professional fees | 101,914 | 53,951 | 315 | 2,231 | 27,875 | 60,990 | 139,998 | 66,456 | 1,011 | 454,741 | 897 | 12,169 | 13,066 | 467,807 |
| Copyright | 2,614 | - - | - - | - - | - - | 169 | - - | 10,724 | - - | 13,507 | - - | - - | - - | 13,507 |
| Dues and subscriptions | 3,114 | - - | - - | - - | 105 | 133 | - - | 131 | - - | 3,483 | 42 | - - | 42 | 3,525 |
| Equipment expense | 13,942 | 1,852 | 38 | 38 | 1,328 | 1,896 | - - | 1,921 | 8 | 21,023 | 719 | 14 | 733 | 21,756 |
| Insurance | 1,508 | 465 | 682 | 2,413 | 916 | 1,073 | - - | 1,002 | 499 | 8,558 | 6,608 | 928 | 7,536 | 16,094 |
| Office supply and expense | 6,910 | 32 | 34 | 821 | 76 | 448 | - - | 650 | 14 | 8,985 | 24,220 | 3,432 | 27,652 | 36,637 |
| Occupancy expense | 40,394 | 9,125 | 15,881 | 50,733 | 24,659 | 29,067 | - - | 28,791 | 13,660 | 212,310 | 18,487 | 25,665 | 44,152 | 256,462 |
| Systems | 63,029 | 17 | - - | 8 | - - | 5,354 | 86 | 318 | 4,163 | 72,975 | 2,892 | 3,172 | 6,064 | 79,039 |
| Travel and meetings | 43,009 | 1,977 | 6,570 | 42,904 | 1,128 | 1,714 | 17,491 | 7,989 | 3,639 | 126,421 | 36,269 | 1,448 | 37,717 | 164,138 |
| Website | 5,347 | - - | - - | - - | - - | 4,694 | - - | 127 | - - | 10,168 | - - | - - | - - | 10,168 |
| | $ 880,326 | $ 231,517 | $ 251,857 | $ 825,685 | $ 409,676 | $ 655,473 | $ 157,575 | $ 528,112 | $ 219,965 | $ 4,160,186 | $ 413,166 | $ 414,633 | $ 827,799 | $ 4,987,985 |

See Notes to Financial Statements.

**QUINCY INSTITUTE FOR RESPONSIBLE STATECRAFT**

**Statements of Cash Flows**

For the Years Ended December 31, 2023 and 2022

| | 2023 | 2022 |
|---|---|---|
| **Cash Flows from Operating Activities** | | |
| Change in net assets | $ 2,732,819 | $ (128,775) |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | | |
| Amortization of right-of-use assets - operating | 275,454 | 246,990 |
| Unrealized and realized loss on investments | 20,301 | - - |
| Changes in assets and liabilities: | | |
| (Increase) decrease in grants and contributions receivable | (1,439,209) | 816,946 |
| Decrease (increase) in prepaid expenses | 435 | (22,985) |
| Decrease (increase) in other receivables | 129 | (129) |
| (Decrease) increase in accounts payable and accrued expenses | (14,158) | 3,123 |
| (Decrease) in operating lease liability | (281,019) | (241,054) |
| Net cash provided by operating activities | 1,294,752 | 674,116 |
| **Cash Flows from Investing Activities** | | |
| Purchase of investments | (3,436,982) | - - |
| Proceeds from sale of investments | 216,752 | - - |
| Purchase of intangible assets - website | (94,983) | - - |
| Net cash (used in) investing activities | (3,315,213) | - - |
| Net (decrease) increase in cash and cash equivalents | (2,020,461) | 674,116 |
| **Cash and Cash Equivalents** | | |
| Beginning of year | 3,328,173 | 2,654,057 |
| End of year | $ 1,307,712 | $ 3,328,173 |
| **Supplemental Schedule of Noncash Operating, Investing and Financing Activities** | | |
| Right-of-use assets recognized with the adoption of ASC 842, Leases | $ - - | $ 426,711 |
| Right-of-use assets and operating lease liabilities acquired | $ 597,960 | $ - - |

See Notes to Financial Statements.

## 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 Customers.

Revenue is predominantly derived from contributions and grants. 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.

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:

*Net Assets Without Donor Restrictions* – Net assets available for use in general operations and not subject to donor restrictions are recorded as "net assets without donor restrictions". Assets restricted solely through the actions of the Board are referred to as Board designated and are also reported as net assets without donor restrictions.

*Net Assets With Donor Restrictions* – Contributions restricted by donors are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in "net assets with donor restrictions", depending on the nature of the restrictions.

### 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 years ended December 31, 2023 and 2022 was expensed when acquired as the costs per item were less than $5,000.

### Cash and Cash Equivalents

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.

Long-term investments include cash and cash equivalents which are expected to be converted to long-term investments. These assets are excluded from cash and cash equivalents on the statements of financial position.

### Activities and Supporting Services

Program expenses of the Institute are as follows:

<u>General Program:</u>

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.

<u>Democratizing Foreign Policy:</u>

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.

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.

Eurasia:

The Eurasia Program analyzes politics and international relations in Europe and the countries of the former Soviet Union to support U.S. policies that promote international peace and cooperation in the region and avoid unnecessary, costly and dangerous new U.S. military commitments.

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.

Global South:

The Global South program is helping fashion a new bargain between the United States and the Global South**,** including its middle powers, to deepen ties and enhance U.S. influence in the vast region in less militarized ways — in part by bringing their voices and perspectives into Washington's policy making spheres.

Supporting services 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. 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 2020–2022. For the years ended December 31, 2023 and 2022, 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.

### Intangible Assets

Intangible assets at December 31, 2023 consisted of the Institute's re-designed website of $94,983. The asset will be amortized over the life of the asset in future periods when completed and placed in service.

### 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.

### Nonfinancial Contributions

Contributed nonfinancial assets are recorded at the respective fair value of the goods or services received. Contributed nonfinancial assets include donated professional services, donated auction items, and other in-kind contributions which are recorded at the respective fair values of the goods or services received. In addition to contributed nonfinancial assets, volunteers donated significant amounts of their time to program services; however, the financial statements do not reflect the value of these contributed services because they did not meet the criteria for recognition.

### Advertising

Advertising costs are expensed as incurred. Total advertising costs for the years ended December 31, 2023 and 2022 were $44,478 and $4,926, respectively.

### Leases

The Institute determines if an arrangement is or contains a lease at inception, which is the date on which the terms of the contract are agreed to, and the agreement creates enforceable rights and obligations. A contract is or contains a lease when (i) explicitly or implicitly identified assets have been deployed in the contract and (ii) the customer obtains substantially all of the economic benefits from the use of that underlying asset and directs how and for what purpose the asset is used during the term of the contract. The Institute also considers whether its service arrangements include the right to control the use of an asset.

The Institute recognizes most leases on its statement of financial position as a right-of-use (ROU) asset representing the right to use an underlying asset and a lease liability representing the obligation to make lease payments over the lease term, measured on a discounted basis. Leases are classified as either finance leases or operating leases based on certain criteria. Classification of the lease affects the pattern of expense recognition on the statement of activities.

The Institute made an accounting policy election not to recognize ROU assets and lease liabilities for leases with a term of 12 months or less. For all other leases, ROU assets and lease liabilities are measured based on the present value of future lease payments over the lease term at the commencement date of the lease. The ROU assets also include any initial direct costs incurred and lease payments made at or before the commencement date and are reduced by any lease incentives received. To determine the present value of lease payments, the Institute made an accounting policy election available to non-public companies to utilize a risk-free borrowing rate, which is aligned with the lease term at the lease commencement date (or remaining term for leases existing upon the adoption of Topic 842).

Future lease payments may include fixed-rent escalation clauses or payments that depend on an index (such as the consumer price index), which is initially measured using the index or rate at lease commencement. Subsequent changes of an index and other periodic market-rate adjustments to base rent are recorded in variable lease expense in the period incurred. Residual value guarantees or payments for terminating the lease are included in the lease payments only when it is probable, they will be incurred.

The Institute has made an accounting policy election to account for lease and non-lease components in its contracts as a single lease component for its real estate, vehicle and equipment asset classes. The non-lease components typically represent additional services transferred to the Institute, such as common area maintenance for real estate, which are variable in nature and recorded in variable lease expense in the period incurred.

### Recently adopted accounting pronouncement

Allowance for Credit Losses and Doubtful Accounts

The Institute adopted ASC 326, *Financial Instruments--Credit Losses*, as of January 1, 2023, with the cumulative-effect transition method with the required prospective approach. The measurement of expected credit losses under the current expected credit loss ("CECL") methodology is applicable to financial assets measured at amortized cost, which include trade receivables and other receivables. An allowance for credit losses under the CECL methodology is determined using the loss-rate approach and measured on a collective (pool) basis when similar risk characteristics exist. Where financial instruments do not share risk characteristics, they are evaluated on an individual basis. The CECL allowance is based on relevant available information, from internal and external sources, relating to past events, current conditions and reasonable and supportable forecasts. The allowance for credit losses as of December 31, 2023, and change in the allowance for credit losses during the year ended December 31, 2023, was not material to the financial statements.

## Note 2. Fair Value Measurement

Accounting standards establish a framework for measuring fair value. That framework 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) and the lowest priority to unobservable inputs (level 3).

The three levels of the fair value hierarchy under the standards are described as follows:

Level 1 – Valuations for assets and liabilities traded in active exchange markets. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

Level 2 – Valuations for assets and liabilities traded in less active dealer or broker markets. Valuations are obtained from third party pricing services for identical or similar assets or liabilities or other inputs observable for the asset or liability, either directly or indirectly through corroboration with observable market data. If the asset or liability has a specified (contractual) term, a Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 – Valuations for assets and liabilities that are derived from other valuation methodologies, including option pricing models, discounted cash flow models and similar techniques, and not based on market exchange, dealer, or broker traded transactions. Level 3 valuations incorporate certain assumptions and projections in determining the fair value assigned to such assets or liabilities.

The asset or liability's fair value measurement level 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.

For the year ended December 31, 2023, the application of valuation techniques applied to similar assets and liabilities has been consistent. The following is a description of the valuation methodologies used for instruments measured at fair value:

*Cash and Cash Alternatives*

The fair value of cash and cash alternatives is the market value based on quoted market prices, when available, or market prices provided by recognized broker dealers, and are classified within Level 1

*Certificates of Deposit*

Certificates of deposit are valued using pricing models based on credit quality, time to maturity, stated interest rates, and market rate assumptions, and are classified within Level 2.

The following table presents the balance of financial assets measured at fair value on a recurring basis as of December 31, 2023. There were no fair value measurements at December 31, 2022.

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| **December 31, 2023** | | | | |
| Cash and cash alternatives | $ 711,764 | $ - - | $ - - | $ 711,764 |
| Certificates of deposit | - - | 2,488,165 | - - | 2,488,165 |
| | $ 711,764 | $ 2,488,165 | $ - - | $ 3,199,929 |

## Note 3. Concentration of Credit Risk

The Institute places its cash and cash equivalents with high credit quality financial institutions, which at times may exceed federally insured limits. The Institute has not experienced any losses on such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

## Note 4. Investments

Investments consisted of the following at December 31, 2023. There were no investments at December 31, 2022.

| December 31, 2023 | Cost | Fair Value | Unrealized (Depreciation) |
|---|---|---|---|
| Cash and cash alternatives | $ 711,764 | $ 711,764 | $ - - |
| Certificates of deposit | 2,488,549 | 2,488,165 | (384) |
| | $ 3,200,313 | $ 3,199,929 | $ (384) |

Investment return consisted of the following for the years ended December 31, 2023 and 2022:

| | 2023 | 2022 |
|---|---|---|
| Dividends and interest | $ 18,672 | $ 329 |
| Unrealized and realized (loss) | (20,301) | - - |
| | $ (1,629) | $ 329 |

## Note 5. Net Assets with Donor Restrictions

The Institute's net assets with donor restrictions at December 31, 2023 and 2022 are as follows:

| | 2023 | 2022 |
|---|---|---|
| Purpose restricted: | | |
| The William and Mary Greve Foundation | $ 18,750 | $ 93,750 |
| Shagbark Hickory Fund | 2,193,284 | 720,000 |
| KAP Associate Program | - - | 78,279 |
| Ploughshares Fund | 66,666 | 80,000 |
| Purple Action | - - | 50,000 |
| Fong Donor Advised Fund | - - | 100,000 |
| Carnegie Corporation | 356,300 | 284,998 |
| Colombe Foundation | - - | 37,500 |
| Prospect Hill Foundation | - - | 7,692 |
| Ford Foundation | 333,333 | - - |
| Stand Together Trust | 666,667 | - - |
| Zak Donor Advised Fund | 395,604 | - - |
| Time restricted: | | |
| Rockefeller Brothers Fund | 250,000 | 170,833 |
| Open Society Policy Center | 112,500 | 300,000 |
| The Salkind Family | - - | 250,000 |
| Other | 50,000 | - - |
| Total net assets with donor and time restrictions | $ 4,443,104 | $ 2,173,052 |

Net assets were released from restrictions by incurring the following restrictions for the years ended December 31, 2023 and 2022:

| | 2023 | 2022 |
|---|---|---|
| Purpose restricted: | | |
| The William and Mary Greve Foundation | $ 75,000 | $ 56,250 |
| Shagbark Hickory Fund | 720,000 | 708,238 |
| KAP Associate Program | 78,279 | 58,890 |
| Ploughshares Fund | 93,334 | 75,000 |
| Purple Action | 50,000 | - - |
| Fong Donor Advised Fund | 100,000 | - - |
| Carnegie Corporation | 472,498 | 335,002 |
| Colombe Foundation | 137,500 | 100,000 |
| Prospect Hill Foundation | 7,692 | 14,808 |
| Center for International Policy | - - | 100,000 |
| Ford Foundation | 166,667 | - - |
| Stand Together Trust | 333,333 | - - |
| Zak Donor Advised Fund | 604,396 | - - |
| Other | 7,500 | 88,242 |
| Time restricted: | | |
| Rockefeller Brothers Fund | 270,833 | 205,000 |
| Open Society Policy Center | 387,500 | - - |
| The Salkind Family | 250,000 | 250,000 |
| Other | 20,000 | - - |
| Total net assets released from restrictions | $ 3,774,532 | $ 1,991,430 |

## Note 6. Lease Commitments

The Institute leases office space in Washington, DC and New York. The lease for the Washington, DC office space required monthly rent of $16,600 for January through November 2022 and $18,100 for December 2022 through August 2023. The Institute entered into a new lease commencing September 2023 with monthly rent of $25,842 and a 2% annual escalation through August 2025. The lease for the New York office space required monthly rent of $3,500 for the years ended December 31, 2023 and 2022. The lease expired in December 2023. Subsequent to December 31, 2023, a new lease was entered into for office space with monthly rent of $4,532 through December 2025 (see Note 10).

Total rent expense recognized for the Institute's leases, for the years ended December 31, 2023 and 2022 was $277,932 and $248,902, respectively. As of December 31, 2023 , the Institute’s weighted average discount rate was 4.87% and weighted average remaining lease term was 1.67 years. As of December 31, 2022 , the Institute’s weighted average discount rate was 0.78% and weighted average remaining lease term was 0.74 years.

The following table summarizes the maturity of the Institute's lease liabilities on an undiscounted cash flow basis and a reconciliation to the lease liabilities recognized in the Institute's statement of financial position.

| Year Ending December 31, | | |
|---|---|---|
| 2024 | $ | 310,100 |
| 2025 | | 214,545 |
| | | 524,645 |
| Imputed interest | | (21,383) |
| | $ | 503,262 |

## Note 7. Grants and Contributions Receivable

Grants and contributions receivable as of December 31, 2023 and 2022 consisted of the following:

| | 2023 | 2022 |
|---|---|---|
| Grants and contributions receivable | $ 2,166,000 | $ 670,075 |
| Less: | | |
| Present value discount | (56,716) | - - |
| | $ 2,109,284 | $ 670,075 |
| Amounts due in: | | |
| Less than one year | $ 1,416,000 | $ 670,075 |
| One to five years | 693,284 | - - |
| | $ 2,109,284 | $ 670,075 |

Grants and contributions receivable were discounted by $56,716 for the year ended December 31, 2023. The discount rate was 4.01% for the year ended December 31, 2023. There was no discount at December 31, 2022.

## Note 8. 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 401(k) in order to get the match. For the years ended December 31, 2023 and 2022, the Institute made contributions of $115,551 and $86,623 to the Plan.

## Note 9. Liquidity

The following reflects the Institute's financial assets as of the statement of financial position 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.

| | 2023 | 2022 |
|---|---|---|
| Cash and cash equivalents | $ 1,307,712 | $ 3,328,173 |
| Grants and contribution receivable, current | 1,416,000 | 670,075 |
| Investments | 3,199,929 | - - |
| Financial assets, at year-end | 5,923,641 | 3,998,248 |
| Less: donor restricted net assets | 4,443,104 | 2,173,052 |
| Financial assets available to meet cash needs for general expenditure within one year | $ 1,480,537 | $ 1,825,196 |

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 10. Subsequent Event

The Institute entered into a lease agreement for office space in New York beginning January 1, 2024 that requires monthly payments of $4,532 through December 2025.

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 May 23, 2024, the date the financial statements were available to be issued, that there are no additional subsequent events requiring recognition or disclosure.