

CERGE-EI FOUNDATION

FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022



LUTZ AND GARR

CERTIFIED PUBLIC ACCOUNTANTS, LLP

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
CERGE-EI Foundation

Opinion

We have audited the accompanying financial statements of CERGE-EI Foundation (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 financial statements referred to above present fairly, in all material respects, the financial position of CERGE-EI Foundation as of December 31, 2023 and 2022, and the changes in its net assets 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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of CERGE-EI Foundation 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.

Emphasis of Matter

As discussed in Note 11 to the financial statements, the 2022 financial statements have been restated to correct certain misstatements. Our opinion is not modified with respect to this matter.

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 CERGE-EI Foundation's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' 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 auditors' 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 CERGE-EI Foundation'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 CERGE-EI Foundation'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.

Lotz + Carr, LLP

CERGE-EI FOUNDATION
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
Assets		
Cash and cash equivalents (Notes 1b and 8a)	\$ 1,296,818	\$ 1,861,803
Contributions receivable (Notes 1c and 4)		
Without donor restrictions	11,170	34,265
With donor restrictions	61,600	119,760
Investments (Notes 1d, 1e, 5 and 6)		
Non-endowment	4,135,904	3,872,477
Endowment	6,784,721	5,986,960
Accounts receivable (Note 1f)	8,430	1,232
Prepaid expenses and other current assets	10,834	7,648
Property and equipment, at cost, net of accumulated depreciation (Notes 1g and 7)	<u>4,658</u>	<u>3,515</u>
Total Assets	<u><u>\$12,314,135</u></u>	<u><u>\$11,887,660</u></u>
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 80,705	\$ 26,451
Deferred tuition revenue (Note 1h)	<u>277,885</u>	<u>54,400</u>
Total Liabilities	<u>358,590</u>	<u>80,851</u>
Net Assets, as restated (Note 11)		
Without Donor Restrictions		
Undesignated	4,522,504	5,150,998
Board designated (Note 3a)	<u>188,480</u>	<u>188,480</u>
Total Without Donor Restrictions	<u>4,710,984</u>	<u>5,339,478</u>
With Donor Restrictions (Notes 3b and 6)	<u>7,244,561</u>	<u>6,467,331</u>
Total Net Assets	<u>11,955,545</u>	<u>11,806,809</u>
Total Liabilities and Net Assets	<u><u>\$12,314,135</u></u>	<u><u>\$11,887,660</u></u>

See notes to financial statements.

CERGE-EI FOUNDATION
STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
Changes in Net Assets Without Donor Restrictions		
Support and Revenue		
Contributions (Note 8b)	\$ 1,734,763	\$ 2,292,474
Donated materials and services (Note 10)	30,806	-
Tuition income	1,264,900	1,119,344
Net investment income (Note 5)	215,548	4,371
Other income	2,109	5,397
	<u>3,248,126</u>	<u>3,421,586</u>
Net assets released from restrictions		
Satisfaction of time and purpose restrictions	434,986	615,256
	<u>3,683,112</u>	<u>4,036,842</u>
Expenses (Notes 9 and 10)		
Program Services	3,803,433	3,982,010
Supporting Services		
Management and general	155,732	157,863
Fundraising	352,441	217,595
Total Supporting Services	<u>508,173</u>	<u>375,458</u>
Total Expenses	<u>4,311,606</u>	<u>4,357,468</u>
Decrease in Net Assets Without Donor Restrictions	<u>(628,494)</u>	<u>(320,626)</u>
Changes in Net Assets With Donor Restrictions		
Contributions (Note 8b)	74,540	499,353
Net investment income (loss) (Note 5)	1,137,676	(688,031)
Net assets released from restrictions	<u>(434,986)</u>	<u>(615,256)</u>
Increase (Decrease) in Net Assets With Donor Restrictions	<u>777,230</u>	<u>(803,934)</u>
Increase (decrease) in net assets	<u>148,736</u>	<u>(1,124,560)</u>
Net assets, beginning of year, as previously reported	10,832,809	12,009,369
Prior period adjustments (Note 11)	974,000	922,000
Net assets, beginning of year, as restated	<u>11,806,809</u>	<u>12,931,369</u>
Net Assets, End of Year	<u><u>\$11,955,545</u></u>	<u><u>\$11,806,809</u></u>

See notes to financial statements.

CERGE-EI FOUNDATION

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2023 WITH COMPARATIVE TOTALS FOR 2022

	Program Services	Supporting Services			2023	2022
		Management and General	Fundraising	Total	Total Expenses	Total Expenses
Teaching fellows grants	\$ 957,071	\$ -	\$ -	\$ -	\$ 957,071	\$1,077,650
Research and other fellowships	720,757	-	-	-	720,757	734,962
Grants to CERGE-EI, including support for UPCES, MAE and Distance Learning programs	397,865	-	-	-	397,865	358,000
Ukraine Emergency Relief	8,771	-	-	-	8,771	33,683
Other grants	11,000	-	-	-	11,000	9,000
Salaries, payroll taxes and employee benefits	109,229	64,276	129,307	193,583	302,812	243,729
Instructor fees	162,661	-	-	-	162,661	166,619
UPCES program expenses	926,814	-	-	-	926,814	790,683
MAE program expenses	-	-	-	-	-	71,764
Distance Learning program expenses	158,365	-	-	-	158,365	120,425
Teaching fellows administration and other expenses	193,670	-	-	-	193,670	173,977
Professional fees	29,210	18,989	47,881	66,870	96,080	114,315
Administrative consultant fees	61,381	54,472	1,443	55,915	117,296	155,723
Technology and internet	5,251	2,834	3,139	5,973	11,224	20,352
Rent	7,380	5,040	5,580	10,620	18,000	11,469
Office expenses	802	610	933	1,543	2,345	10,931
Conferences and meetings	43,510	-	-	-	43,510	66,324
Travel	3,767	2,499	15,734	18,233	22,000	21,412
Insurance	-	2,092	-	2,092	2,092	3,433
Special events	-	-	142,998	142,998	142,998	156,293
Bank charges	1,782	1,570	1,347	2,917	4,699	5,828
Miscellaneous	3,614	2,423	4,079	6,502	10,116	9,352
Total expenses before depreciation	3,802,900	154,805	352,441	507,246	4,310,146	4,355,924
Depreciation	533	927	-	927	1,460	1,544
Total Expenses, 2023	<u>\$3,803,433</u>	<u>\$ 155,732</u>	<u>\$ 352,441</u>	<u>\$508,173</u>	<u>\$4,311,606</u>	
Total Expenses, 2022	<u>\$3,982,010</u>	<u>\$ 157,863</u>	<u>\$ 217,595</u>	<u>\$375,458</u>		<u>\$4,357,468</u>

See notes to financial statements.

CERGE-EI FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2022

	<u>Program Services</u>	<u>Supporting Services</u>			<u>Total Expenses</u>
		<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>	
Teaching fellows grants	\$1,077,650	\$ -	\$ -	\$ -	\$1,077,650
Research and other fellowships	734,962	-	-	-	734,962
Grants to CERGE-EI, including support for UPCES, MAE and Distance Learning programs	358,000	-	-	-	358,000
Ukraine Emergency Relief	33,683	-	-	-	33,683
Other grants	9,000	-	-	-	9,000
Salaries, payroll taxes and employee benefits	97,068	48,887	97,774	146,661	243,729
Instructor fees	166,619	-	-	-	166,619
UPCES program expenses	790,683	-	-	-	790,683
MAE program expenses	71,764	-	-	-	71,764
Distance Learning program expenses	120,425	-	-	-	120,425
Teaching fellows administration and other expenses	173,977	-	-	-	173,977
Professional fees	40,998	30,238	43,079	73,317	114,315
Administrative consultant fees	87,205	57,617	10,901	68,518	155,723
Technology and internet	12,415	5,495	2,442	7,937	20,352
Rent	6,651	2,409	2,409	4,818	11,469
Office expenses	4,395	3,919	2,617	6,536	10,931
Conferences and meetings	66,324	-	-	-	66,324
Travel	3,145	3,145	15,122	18,267	21,412
Insurance	-	3,433	-	3,433	3,433
Special events	117,778	-	38,515	38,515	156,293
Bank charges	5,248	464	116	580	5,828
Miscellaneous	3,094	1,947	4,311	6,258	9,352
Total expenses before depreciation	3,981,084	157,554	217,286	374,840	4,355,924
Depreciation	926	309	309	618	1,544
Total Expenses	<u>\$3,982,010</u>	<u>\$ 157,863</u>	<u>\$ 217,595</u>	<u>\$375,458</u>	<u>\$4,357,468</u>

See notes to financial statements.

CERGE-EI FOUNDATION
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
Cash Flows From Operating Activities		
Increase (decrease) in net assets	\$ 148,736	\$(1,124,560)
Adjustments to reconcile increase (decrease) in net assets to net cash used by operating activities:		
Depreciation	1,460	1,544
Loss on disposal of asset	-	1,233
Net realized and unrealized (gain) loss on investments	(831,061)	1,135,273
(Increase) decrease in:		
Contributions receivable	81,255	(99,595)
Accounts receivable	(7,198)	5,099
Prepaid expenses and other current assets	(3,186)	(6,132)
Increase (decrease) in:		
Accounts payable and accrued expenses	54,254	(93,554)
Deferred tuition revenue	223,485	(105,350)
Net Cash Used By Operating Activities	<u>(332,255)</u>	<u>(286,042)</u>
Cash Flows From Investing Activities		
Purchase of property and equipment	(2,603)	(1,958)
Purchase of investments	(569,732)	(501,425)
Proceeds from sale of investments	339,605	-
Net Cash Used By Investing Activities	<u>(232,730)</u>	<u>(503,383)</u>
Net decrease in cash and cash equivalents	(564,985)	(789,425)
Cash and cash equivalents, beginning of year	<u>1,861,803</u>	<u>2,651,228</u>
Cash and Cash Equivalents, End of Year	<u><u>\$1,296,818</u></u>	<u><u>\$ 1,861,803</u></u>

See notes to financial statements.

CERGE-EI FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

Note 1 - Organization and Summary of Significant Accounting Policies

a - Organization

CERGE-EI Foundation (the "Foundation") was founded with the purpose of raising funds to support CERGE-EI, a joint workplace in the field of economics, associated with two highly respected institutions, Charles University in Prague, and the Academy of Sciences of the Czech Republic. It also supports similar institutions and individuals engaged in modern economics in transition societies.

b - Cash and Cash Equivalents

The Foundation considers highly liquid investments with original maturities of three months or less from the date purchased and money market mutual funds to be cash equivalents, except for those managed by the Foundation's investment managers as part of their long term investment strategy.

c - Contributions

Contributions are recognized when the donor makes a promise to give to the Foundation, that is, in substance, unconditional. Conditional promises to give, that is, those 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 that are restricted by the donor are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

The Foundation uses the allowance method to determine the existence of any uncollectible grants and contributions receivable. The allowance, when necessary, is established based on prior years' experience and management's analysis of specific promises made.

d - Investments

The Foundation reflects investments at fair value in the statement of financial position. Investment income, including realized and unrealized gains and losses on investments are reflected in the statement of activities as increases and decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulations or by law. Investment income that is limited to specific uses by donor-imposed restrictions is reported as increases or decreases in net assets with donor restrictions depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

CERGE-EI FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

Note 1 - Organization and Summary of Significant Accounting Policies (continued)

e - Fair Value Measurements

Fair value is an estimate of the exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants (i.e., the exit price at the measurement date). Fair value measurements are not adjusted for transaction costs. A fair value hierarchy prioritizes inputs to valuation techniques used to measure fair value into three levels:

- Level 1 Unadjusted quoted prices in active markets for identical assets or liabilities.
- Level 2 Quoted prices for similar assets or liabilities, or inputs that are observable, either directly or indirectly, and reasonably available. Observable inputs reflect the assumptions market participants would use in pricing the asset or liability and are developed based on market data obtained from sources independent of the Fund.
- Level 3 Unobservable inputs reflect the assumptions that the Foundation develops based on available information about what market participants would use in valuing the asset or liability.

f - Accounts Receivable

Accounts receivable consist of amounts due for tuition and fees, less an estimate for doubtful receivables based on a review of all outstanding amounts. The Foundation determines the allowance for doubtful accounts receivable based on historical experience, an assessment of current economic conditions, and a review of subsequent collections. As of December 31, 2023 and 2022, no allowance was deemed necessary.

g - Property and Equipment

Property and equipment acquired in excess of \$2,000 are recorded at cost. Property and equipment are being depreciated using the straight-line method over the estimated useful life of the asset.

h - Revenue Recognition

The Foundation's tuition income is accounted for as an exchange transaction. Tuition income for the Undergraduate Program in Central European Studies ("UPCES") and Master in Applied Economics ("MAE") programs are recognized over the academic semester to which it relates. Spring and Fall semesters begin and end within the calendar year. Tuition for the following Spring semester is due by December of the preceding year, and when received is recorded as deferred revenue. Receivables are recorded for any tuition not yet received by the end of the semester.

CERGE-EI FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

Note 1 - Organization and Summary of Significant Accounting Policies (continued)

i - Grants

Grants are accrued at the time authorized and awarded. Grants payable are due to be paid within one year.

j - Financial Statement Presentation

The financial statements of the Foundation have been prepared in accordance with accounting principles generally accepted in the United States of America ("US GAAP"), which require the Foundation to report information regarding its financial position and activities according to the following net asset classifications:

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 Foundation. These net assets may be used at the discretion of the Foundation's management and Board of Directors.

Net Assets With Donor Restrictions

Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Foundation or the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

k - Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

l - Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities and statement of functional expenses. Expenses are summarized and categorized based upon their functional classification as either program or supporting services. Specific expenses that are readily identifiable to a single program or activity are charged directly to that function. Certain categories of expenses 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 salaries, payroll taxes and employee benefits, administrative consultant fees, technology and internet, office expenses, and depreciation, which are allocated on the basis of estimates of time and effort.

CERGE-EI FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

Note 1 - Organization and Summary of Significant Accounting Policies (continued)

m - Tax Status

CERGE-EI Foundation is a not-for-profit corporation exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and has been designated as an organization which is not a private foundation.

n - Subsequent Events

The Foundation has evaluated subsequent events through September 6, 2024, the date that the financial statements are considered available to be issued.

o - New Accounting Standard

During 2023, the Foundation adopted FASB ASU 2016-13, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* (the "ASU"). The ASU significantly changes the way organizations measure credit losses for certain financial assets, from the incurred loss model to the expected loss model. The expected loss model requires immediate recognition of estimated credit losses expected to occur. The financial asset held by the Foundation that is subject to the ASU is accounts receivable. The adoption of the ASU did not have a significant impact on the financial statements.

Note 2 - Information Regarding Liquidity and Availability

The Foundation operates with a balanced budget for each fiscal year based on the revenues expected to be available to fund anticipated expenses. Annual revenue is comprised primarily of contribution revenue and tuition revenue earned during the year. The Foundation considers general expenditures to consist of all expenses related to its ongoing program activities, and the expenses related to general and administrative and fundraising activities undertaken to support those activities.

The Foundation regularly monitors liquidity to meet its operating needs and other commitments and obligations. Management prepares regular cash flow projections to determine liquidity needs and to ensure the ability to meet cash requirements. As part of the Foundation's liquidity management, the Foundation invests its cash in excess of daily requirements in certificates of deposit, mutual funds, and money market funds.

CERGE-EI FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

Note 2 - Information Regarding Liquidity and Availability (continued)

The Foundation's financial assets as of December 31, 2023 and 2022 available to meet cash needs for general expenditures within one year are summarized as follows:

	<u>2023</u>	<u>2022</u>
Financial Assets at Year End:		
Cash and cash equivalents	\$ 1,296,818	\$ 1,861,803
Investments	10,920,625	9,859,437
Contributions receivable	72,770	154,025
Accounts receivable	<u>8,430</u>	<u>1,232</u>
Total Financial Assets	12,298,643	11,876,497
Less: Amounts not Available to be Used within One Year:		
Net assets with donor restrictions, subject to expenditure for specific purposes or passage of time	(459,840)	(480,371)
Plus: Net assets with donor restrictions expected to be met in less than one year	72,702	111,455
Board designated reserves	(188,480)	(188,480)
Less: Net assets with donor restrictions for endowment, subject to spending policy and appropriation	(6,784,721)	(5,986,960)
Plus: Amounts expected to be appropriated for use within one year	<u>339,915</u>	<u>337,000</u>
Financial Assets Available to Meet General Expenditures within One Year	<u>\$ 5,278,219</u>	<u>\$ 5,669,141</u>

Note 3 - Net Assets

a - Net Assets Without Donor Restrictions – Board Designated Funds

Board Designated funds at December 31, 2023 and 2022 totaled \$188,480, consisting of a \$150,000 staff replacement reserve and a \$38,480 video facility fund.

CERGE-EI FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

Note 3 - Net Assets (continued)

b - Net Assets With Donor Restrictions

Net assets with donor restrictions are restricted for the following:

	<u>2023</u>	<u>2022</u>
Subject to expenditure for specific purposes or periods:		
Regional Research Competition	\$ 87,515	\$ 87,515
Institute for Democracy & Economic Analysis	171,829	146,981
Other	3,690	2,988
Armenian Economics Association	35,306	31,106
Stapleton Scholarship Awards	161,500	181,460
Ukraine Emergency Relief Fund	-	30,321
	<u>459,840</u>	<u>480,371</u>
Endowments subject to spending policy and appropriation:		
Investment income above original gift amount:		
Citigroup Professorship	1,134,960	825,135
Citigroup Scholarship	756,639	550,090
Mellon Associate Professorship	756,639	550,090
Vannerson Scholarship	226,992	165,027
Svejnar-Terrell (teaching prize)	21,564	15,678
Jan Kmenta Library Fund	25,597	18,610
	<u>2,922,391</u>	<u>2,124,630</u>
Investment in perpetuity:		
Citigroup Professorship	1,500,000	1,500,000
Citigroup Scholarship	1,000,000	1,000,000
Mellon Associate Professorship	1,000,000	1,000,000
Vannerson Scholarship	300,000	300,000
Svejnar-Terrell (teaching prize)	28,500	28,500
Jan Kmenta Library Fund	33,830	33,830
	<u>3,862,330</u>	<u>3,862,330</u>
Total Endowments	<u>6,784,721</u>	<u>5,986,960</u>
Total Net Assets With Donor Restrictions	<u>\$7,244,561</u>	<u>\$6,467,331</u>

CERGE-EI FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

Note 4 - Contributions Receivable

Contributions receivable at December 31 are due as follows:

	<u>2023</u>	<u>2022</u>
Due in less than one year	\$72,770	\$ 95,899
Due in one to five years	-	61,666
	<u>72,770</u>	<u>157,565</u>
Less: Discount to present value	-	(3,540)
	<u>\$72,770</u>	<u>\$154,025</u>

As of December 31, 2023, 85% of contributions receivable were due from an individual. As of December 31, 2022, all contributions receivable were due from an individual and a foundation.

Contributions receivable for periods due after one year are discounted to net present value using a discount rate of 3%. Uncollectible receivables are expected to be insignificant.

Note 5 - Investments

Investments, which are all classified as Level 1 within the fair value hierarchy, consist of the following:

	<u>2023</u>		<u>2022</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Cash and money market funds	\$ 2,764,308	\$ 2,764,308	\$ 3,403,296	\$3,403,296
Certificates of deposit	-	-	100,000	99,667
US Treasury Bill	951,973	980,800	-	-
Mutual funds:				
Domestic equities	2,967,529	3,188,006	2,723,482	2,543,613
International equities	2,384,427	2,649,450	2,593,969	2,580,864
Domestic fixed income	1,410,333	1,338,061	1,359,275	1,231,997
	<u>\$10,478,570</u>	<u>\$10,920,625</u>	<u>\$10,180,022</u>	<u>\$9,859,437</u>

CERGE-EI FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

Note 5 - Investments (continued)

The components of the Foundation's net investment income (loss) for the years ended December 31, 2023 and 2022 are as follows:

	<u>2023</u>	<u>2022</u>
Interest and dividend income	\$ 522,163	\$ 451,613
Net realized and unrealized gain (loss)	<u>831,061</u>	<u>(1,135,273)</u>
	<u>\$1,353,224</u>	<u>\$ (683,660)</u>
Allocated to:		
Without donor restrictions	\$ 215,548	\$ 4,371
With donor restrictions - endowments	<u>1,137,676</u>	<u>(688,031)</u>
	<u>\$1,353,224</u>	<u>\$ (683,660)</u>

Note 6 - Endowment Funds

The Foundation's endowment consists of multiple individual donor-restricted endowment funds established for a variety of purposes. As required by U.S. GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Foundation has interpreted the relevant Pennsylvania and New Jersey law as requiring the preservation of the historical dollar value of the original gift as of the date of the donor-restricted endowment funds, unless there are explicit donor stipulations to the contrary. At December 31, 2023, and 2022, there were no such donor stipulations. As a result of this interpretation, the Foundation classifies as net assets with donor restrictions for investment in perpetuity (a) the original value of initial and subsequent gifts donated to the donor-restricted endowment and (b) any accumulations to the donor-restricted endowment made in accordance with the direction of any applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund, consisting of accumulated investment earnings, that is not classified as perpetual in nature is classified as net assets with donor restrictions subject to spending policy and appropriation until those amounts are appropriated for expenditure by the Foundation.

CERGE-EI FOUNDATION
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DECEMBER 31, 2023 AND 2022

Note 6 - Endowment Funds (continued)

The Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (i) the duration and preservation of the fund;
- (ii) the purposes of the Foundation and the donor-restricted endowment fund;
- (iii) general economic conditions;
- (iv) the possible effect of inflation or deflation;
- (v) the expected total return from income and the appreciation of investments;
- (vi) other resources of the Foundation; and
- (vii) the investment policies of the Foundation

The Foundation's endowment funds composition, by type of fund and net asset classification, are summarized as follows at December 31:

	<u>With Donor Restrictions</u>		
	<u>Investment Income Above Original Gift Amount</u>	<u>Investment in Perpetuity</u>	<u>Total</u>
Donor-restricted endowment funds, 2023	<u>\$2,922,391</u>	<u>\$3,862,330</u>	<u>\$6,784,721</u>
Donor-restricted endowment funds, 2022	<u>\$2,124,630</u>	<u>\$3,862,330</u>	<u>\$5,986,960</u>

Changes in the Foundation's endowment funds with donor restrictions for the years ended December 31, 2023 and 2022 are summarized as follows:

	<u>2023</u>		
	<u>Investment Income Above Original Gift Amount</u>	<u>Investment in Perpetuity</u>	<u>Total</u>
Endowment funds, beginning of year	\$2,124,630	\$3,862,330	\$5,986,960
Net investment income	1,137,676	-	1,137,676
Appropriation for expenditure	<u>(339,915)</u>	<u>-</u>	<u>(339,915)</u>
Endowment Funds, End of Year	<u>\$2,922,391</u>	<u>\$3,862,330</u>	<u>\$6,784,721</u>

CERGE-EI FOUNDATION
NOTES TO FINANCIAL STATEMENTS
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Note 6 - Endowment Funds (continued)

	2022		
	Investment Income Above Original Gift Amount	Investment in Perpetuity	Total
Endowment funds, beginning of year	\$3,149,661	\$3,862,330	\$7,011,991
Net investment loss	(688,031)	-	(688,031)
Appropriation for expenditure	(337,000)	-	(337,000)
Endowment Funds, End of Year	<u>\$2,124,630</u>	<u>\$3,862,330</u>	<u>\$5,986,960</u>

Return Objectives and Risk Parameters

The Foundation has adopted an investment policy for endowment assets that attempts to provide predictable returns and maintain the purchasing power of the endowment assets. Under this policy, as approved by the Board of Directors, the Foundation's goal is to earn a stable and predictable amount of current income from the endowment, while reinvesting additional interest in years when the Foundation's investments do well.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). Pursuant to Board instructions, the Foundation reviews investment allocation annually or more often as conditions warrant.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Board of Directors has implemented a spending policy whereby 5% of the average endowment fair market value for the previous three years is appropriated for distribution annually. Transfers will not be made if doing so would bring the account value below the original endowment investment amount unless allowed under the terms of the gift. Also, the Board may reduce or increase this annual transfer if such a change is deemed in the best interest of the Foundation. During the year ended December 31, 2023, \$339,915 was appropriated for expenditure. During the year ended December 31, 2022, \$337,000 was appropriated for expenditure.

CERGE-EI FOUNDATION
NOTES TO FINANCIAL STATEMENTS
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Note 7 - Property and Equipment

Property and equipment consist of the following as of December 31:

	<u>Life</u>	<u>2023</u>	<u>2022</u>
Computers	5 years	\$8,096	\$5,732
Less: Accumulated depreciation		<u>(3,438)</u>	<u>(2,217)</u>
		<u>\$4,658</u>	<u>\$3,515</u>

Note 8 - Concentrations

a - Concentration of Credit Risk

The Foundation maintains its cash and cash equivalents on deposits at various financial institutions. Balances that, at times, may exceed federally insured limits. The Foundation has not experienced, nor does it anticipate, any losses with respect to such accounts.

b - Contributions

For the years ended December 31, 2023 and 2022, approximately 77% and 81%, respectively, of the Foundation's total contribution revenue was received from one donor.

Note 9 - Related Party Transactions

Four members of the Board received payments for services provided to the Foundation's programs. Payments to board members totaled \$123,426 (2023) and \$156,833 (2022).

CERGE-EI FOUNDATION
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Note 10 - Donated Materials and Services

During the year ended December 31, 2023, the Foundation received the following donated materials and services:

Digital media services	\$13,936
Speaker fees and brief	8,870
Reception space	5,000
Event materials	<u>3,000</u>
Total	<u>\$30,806</u>

Donated materials and services were utilized in connection with the Foundation's program and administrative supporting services and were valued by the service provider based on current rates charged for similar materials and services.

Note 11 - Prior Period Adjustments

Net assets without donor restrictions as of January 1, 2022 have been restated to reverse \$922,000 of grants expenses to CERGE-EI and grants payable, which were formally approved and awarded during the year ended December 31, 2022. Additionally as of January 1, 2022, \$49,230 of net assets without donor restrictions were reclassified as net assets with donor restrictions to accurately reflect a donor-restricted contribution for a specific program. The financial statements as of and for the year ended December 31, 2022 were also restated to reverse \$974,000 of grant expenses to CERGE-EI and grants payable, which were formally approved and awarded during the year ended December 31, 2023.