

CERGE-EI FOUNDATION

FINANCIAL STATEMENTS

DECEMBER 31, 2021 AND 2020



LUTZ AND CARR

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

Other Matter

The accompanying financial statements of CERGE-EI Foundation for the year ended December 31, 2020 were audited by other auditors, whose report dated August 26, 2021 expressed an unmodified opinion on those financial statements.

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, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
Assets		
Cash and cash equivalents (Notes 1b and 8a)	\$ 2,651,228	\$ 1,630,964
Contributions receivable (Notes 1c, 4 and 8b)		
Without donor restrictions	54,430	21,828
Investments (Notes 1d, 1e, 5 and 6)		
Non-endowment	3,481,294	4,333,146
Endowment	7,011,991	6,379,698
Accounts receivable (Note 1g)	6,331	-
Prepaid expenses	1,516	1,531
Property and equipment, at cost, net of accumulated depreciation (Notes 1f and 7)	4,334	-
	<u>4,334</u>	<u>-</u>
 Total Assets	 <u>\$13,211,124</u>	 <u>\$12,367,167</u>
 Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 120,005	\$ 39,251
Deferred tuition revenue (Note 1g)	159,750	970
Total Liabilities	<u>279,755</u>	<u>40,221</u>
 Net Assets		
Without Donor Restrictions		
Undesignated	5,520,854	4,614,282
Board designated (Note 3a)	188,480	188,480
Total Without Donor Restrictions	<u>5,709,334</u>	<u>4,802,762</u>
With Donor Restrictions (Notes 3b and 6)	7,222,035	7,524,184
Total Net Assets	<u>12,931,369</u>	<u>12,326,946</u>
 Total Liabilities and Net Assets	 <u>\$13,211,124</u>	 <u>\$12,367,167</u>

See notes to financial statements.

CERGE-EI FOUNDATION
STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
Changes in Net Assets Without Donor Restrictions		
Public Support and Revenue		
Contributions (Note 8b)	\$ 2,484,826	\$ 34,094
Tuition income	313,946	482,155
Net investment income (Note 5)	23,753	34,642
Other income	575	-
	<u>2,823,100</u>	<u>550,891</u>
Net assets released from restrictions		
Satisfaction of time and purpose restrictions	<u>1,277,292</u>	<u>2,172,787</u>
Total Public Support and Revenue	<u>4,100,392</u>	<u>2,723,678</u>
Expenses		
Program Services	<u>3,012,388</u>	<u>3,040,013</u>
Supporting Services		
Management and general	124,189	127,355
Fundraising	<u>57,243</u>	<u>29,406</u>
Total Supporting Services	<u>181,432</u>	<u>156,761</u>
Total Expenses	<u>3,193,820</u>	<u>3,196,774</u>
Increase (Decrease) in Net Assets Without Donor Restrictions	<u>906,572</u>	<u>(473,096)</u>
Changes in Net Assets With Donor Restrictions		
Contributions (Note 8b)	30,000	2,422,474
Net investment income (Note 5)	945,143	263,788
Net assets released from restrictions	<u>(1,277,292)</u>	<u>(2,172,787)</u>
Increase (Decrease) in Net Assets With Donor Restrictions	<u>(302,149)</u>	<u>513,475</u>
Increase in net assets	604,423	40,379
Net assets, beginning of year	<u>12,326,946</u>	<u>12,286,567</u>
Net Assets, End of Year	<u><u>\$12,931,369</u></u>	<u><u>\$12,326,946</u></u>

See notes to financial statements.

CERGE-EI FOUNDATION

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2021 WITH COMPARATIVE TOTALS FOR 2020

	Program Services	Supporting Services			2021	2020
		Management and General	Fundraising	Total	Total Expenses	Total Expenses
Teaching fellows grants	\$1,106,751	\$ -	\$ -	\$ -	\$1,106,751	\$1,000,505
Research and other fellowships	720,420	-	-	-	720,420	740,515
Grants to CERGE-EI, including support for UPCES, MAE and Distance Learning programs	295,629	-	-	-	295,629	363,759
Salaries, payroll taxes and employee benefits	91,977	30,659	30,659	61,318	153,295	-
Instructor fees	156,575	-	-	-	156,575	173,965
UPCES program expenses	209,371	-	-	-	209,371	438,961
MAE program expenses	77,167	-	-	-	77,167	136,314
Distance Learning program expenses	76,440	-	-	-	76,440	37,341
Teaching Fellows administration and other expenses	130,220	-	-	-	130,220	86,766
Professional fees	7,726	36,781	12,689	49,470	57,196	32,840
Administrative consultant fees	58,193	39,100	7,504	46,604	104,797	112,400
Technology and internet	5,987	2,650	1,178	3,828	9,815	750
Office expenses	6,602	3,254	1,299	4,553	11,155	2,102
Conferences and meetings	43,621	-	-	-	43,621	36,400
Travel	5,216	3,173	2,042	5,215	10,431	2,029
Insurance	-	3,683	-	3,683	3,683	3,416
Bank charges	16,755	3,281	1,047	4,328	21,083	21,924
Miscellaneous	3,088	1,391	608	1,999	5,087	6,787
Total expenses before depreciation	3,011,738	123,972	57,026	180,998	3,192,736	3,196,774
Depreciation	650	217	217	434	1,084	-
Total Expenses, 2021	<u>\$3,012,388</u>	<u>\$ 124,189</u>	<u>\$ 57,243</u>	<u>\$181,432</u>	<u>\$3,193,820</u>	
Total Expenses, 2020	<u>\$3,040,013</u>	<u>\$ 127,355</u>	<u>\$ 29,406</u>	<u>\$156,761</u>		<u>\$3,196,774</u>

See notes to financial statements.

CERGE-EI FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2020

	<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	\$1,000,505	\$ -	\$ -	\$ -	\$1,000,505
Research and other fellowships	740,515	-	-	-	740,515
Grants to CERGE-EI, including support for UPCES, MAE and Distance Learning programs	363,759	-	-	-	363,759
Instructor fees	173,965	-	-	-	173,965
UPCES program expenses	438,961	-	-	-	438,961
MAE program expenses	136,314	-	-	-	136,314
Distance Learning program expenses	37,341	-	-	-	37,341
Teaching Fellows administration and other expenses	86,766	-	-	-	86,766
Professional fees	-	32,840	-	32,840	32,840
Administrative consultant fees	22,712	60,914	28,774	89,688	112,400
Technology and internet	750	-	-	-	750
Office expenses	503	1,535	64	1,599	2,102
Conferences and meetings	36,400	-	-	-	36,400
Travel	1,522	507	-	507	2,029
Insurance	-	3,416	-	3,416	3,416
Bank charges	-	21,924	-	21,924	21,924
Miscellaneous	-	6,219	568	6,787	6,787
Total Expenses	\$3,040,013	\$ 127,355	\$ 29,406	\$156,761	\$3,196,774

See notes to financial statements.

CERGE-EI FOUNDATION
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021	2020
Cash Flows From Operating Activities		
Increase in net assets	\$ 604,423	\$ 40,379
Adjustments to reconcile increase in net assets to net cash provided (used) by operating activities:		
Depreciation	1,084	-
Net realized and unrealized gain on investments	532,755	132,442
(Increase) decrease in:		
Contributions receivable	(32,602)	(123,152)
Accounts receivable	(6,331)	2,704
Prepaid expenses	15	64,624
Increase (decrease) in:		
Accounts payable and accrued expenses	80,754	19,617
Deferred tuition revenue	158,780	(316,897)
Net Cash Provided (Used) By Operating Activities	1,338,878	(180,283)
 Cash Flows From Investing Activities		
Purchase of property and equipment	(5,418)	-
Purchase of investments	(497,685)	(1,530,857)
Proceeds from sale of investments	184,489	989,125
Net Cash Used By Investing Activities	(318,614)	(541,732)
 Net increase (decrease) in cash and cash equivalents	1,020,264	(722,015)
Cash and cash equivalents, beginning of year	1,630,964	2,352,979
 Cash and Cash Equivalents, End of Year	\$2,651,228	\$1,630,964

See notes to financial statements.

CERGE-EI FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

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, 2021 AND 2020

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 - 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.

g - Revenue Recognition

The Foundation's tuition income is accounted for as an exchange transaction. Tuition income for the UPCES and 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, 2021 AND 2020

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

h - 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.

i - 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.

j - 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, 2021 AND 2020

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

k - 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.

l - Reclassifications

Certain reclassifications have been made to 2020 amounts to conform to the presentation used in 2021.

m - Subsequent Events

The Foundation has evaluated subsequent events through October 31, 2022, the date that the financial statements are considered available to be issued.

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, 2021 AND 2020

Note 2 - Information Regarding Liquidity and Availability (continued)

The Foundation's financial assets as of December 31, 2021 and 2020 available to meet cash needs for general expenditures within one year are summarized as follows:

	<u>2021</u>	<u>2020</u>
Financial Assets at Year End:		
Cash and cash equivalents	\$ 2,651,228	\$ 1,630,964
Investments	10,493,285	10,712,844
Contributions receivable	54,430	21,828
Accounts receivable	<u>6,331</u>	<u>-</u>
Total Financial Assets	13,205,274	12,365,636
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	(210,044)	(1,144,486)
Plus: Net assets with donor restrictions expected to be met in less than one year	143,784	959,439
Board designated reserves	(188,480)	(188,480)
Less: Net assets with donor restrictions for endowment, subject to spending policy and appropriation	(7,011,991)	(6,379,698)
Plus: Amounts expected to be appropriated for use within one year	<u>343,300</u>	<u>-</u>
Financial Assets Available to Meet General Expenditures within One Year	<u>\$ 6,281,843</u>	<u>\$ 5,612,411</u>

Note 3 - Net Assets

a - Net Assets Without Donor Restrictions – Board Designated Funds

Board Designated funds at December 31, 2021 and 2020 totaled \$188,480, consisting of a \$150,000 staff replacement reserve and a \$38,040 video facility fund.

CERGE-EI FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

Note 3 - Net Assets (continued)

b - Net Assets With Donor Restrictions

Net assets with donor restrictions are restricted for the following:

	<u>2021</u>	<u>2020</u>
Subject to expenditure for specific purposes or periods:		
Regional Research Competition	\$ 87,515	\$ 87,515
Institute for Democracy & Economic Analysis	93,335	129,335
Teaching Fellows	-	919,439
Armenian Economics Association	26,206	5,209
Other	<u>2,988</u>	<u>2,988</u>
	<u>210,044</u>	<u>1,144,486</u>
Endowments subject to spending policy and appropriation:		
Investment income above original gift amount:		
Citigroup Professorship	1,223,223	977,662
Citigroup Scholarship	815,482	651,774
Mellon Associate Professorship	815,482	651,774
Vannerson Scholarship	244,645	195,532
Svejnar-Terrell (teaching prize)	23,241	18,576
Jan Kmenta Library Fund	<u>27,588</u>	<u>22,050</u>
	<u>3,149,661</u>	<u>2,517,368</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	<u>33,830</u>	<u>33,830</u>
	<u>3,862,330</u>	<u>3,862,330</u>
Total Endowments	<u>7,011,991</u>	<u>6,379,698</u>
Total Net Assets With Donor Restrictions	<u>\$7,222,035</u>	<u>\$7,524,184</u>

Note 4 - Contributions Receivable

Contributions receivable are due within one year as of December 31, 2021 and 2020.

CERGE-EI FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

Note 5 - Investments

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

	<u>2021</u>		<u>2020</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Cash and money market funds	\$2,687,256	\$ 2,687,256	\$ 2,519,457	\$ 2,519,457
Certificates of deposit	400,000	402,111	1,398,600	1,412,813
Mutual funds:				
Domestic equities	2,815,237	3,344,764	2,705,583	2,736,879
International equities	2,865,489	3,348,735	2,332,211	2,707,048
Domestic fixed income	<u>691,212</u>	<u>710,419</u>	<u>1,233,925</u>	<u>1,336,647</u>
	<u>\$9,459,194</u>	<u>\$10,493,285</u>	<u>\$10,189,776</u>	<u>\$10,712,844</u>

The components of the Foundation's net investment income for the years ended December 31, 2021 and 2020 are as follows:

	<u>2021</u>	<u>2020</u>
Interest and dividend income	\$436,141	\$430,872
Net realized and unrealized gain (loss)	<u>532,755</u>	<u>(132,442)</u>
	<u>\$968,896</u>	<u>\$298,430</u>
Allocated to:		
Without donor restrictions	\$ 23,753	\$ 34,642
With donor restrictions:		
Endowments	<u>945,143</u>	<u>263,788</u>
	<u>\$968,896</u>	<u>\$298,430</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.

CERGE-EI FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

Note 6 - Endowment Funds (continued)

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, 2021, and 2020, 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.

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:

	With Donor Restrictions		
	Investment Income Above Original Gift Amount	Investment in Perpetuity	Total
Donor-restricted endowment funds, 2021	<u>\$3,149,661</u>	<u>\$3,862,330</u>	<u>\$7,011,991</u>
Donor-restricted endowment funds, 2020	<u>\$2,517,368</u>	<u>\$3,862,330</u>	<u>\$6,379,698</u>

CERGE-EI FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

Note 6 - Endowment Funds (continued)

Changes in the Foundation's endowment funds with donor restrictions for the years ended December 31, 2021 and 2020 are summarized as follows:

	2021		
	Investment Income Above Original Gift Amount	Investment in Perpetuity	Total
Endowment funds, beginning of year	\$2,517,368	\$3,862,330	\$6,379,698
Net investment income	945,143	-	945,143
Appropriation for expenditure	<u>(312,850)</u>	<u>-</u>	<u>(312,850)</u>
Endowment Funds, End of Year	<u>\$3,149,661</u>	<u>\$3,862,330</u>	<u>\$7,011,991</u>
	2020		
	Investment Income Above Original Gift Amount	Investment in Perpetuity	Total
Endowment funds, beginning of year	\$2,253,580	\$3,862,330	\$6,115,910
Net investment income	263,788	-	263,788
Appropriation for expenditure	<u>-</u>	<u>-</u>	<u>-</u>
Endowment Funds, End of Year	<u>\$2,517,368</u>	<u>\$3,862,330</u>	<u>\$6,379,698</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.

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Note 6 - Endowment Funds (continued)

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, 2021, \$312,850 was appropriated for expenditure. There were no appropriations during the year ended December 31, 2020.

Note 7 - Property and Equipment

Property and equipment consist of the following as of December 31, 2021:

	<u>Life</u>	<u>Amount</u>
Computers	5 years	\$5,418
Less: Accumulated depreciation		<u>(1,084)</u>
		<u>\$4,334</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, 2021 and 2020, approximately 91% and 92%, respectively, of the Foundation's total contribution revenue was received from one donor. As of December 31, 2021 and 2020, all contributions receivable were due from one donor.

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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 \$153,279 (2021) and \$154,372 (2020).