
CERGE-EI FOUNDATION

FINANCIAL STATEMENTS

For the years ended December 31, 2020 and 2019

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
CERGE-EI Foundation
New York, New York

Opinion

We have audited the accompanying financial statements of CERGE-EI Foundation (a nonprofit corporation), which comprise the statement of financial position as of December 31, 2020 and 2019, 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, 2020 and 2019, 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 Auditor's 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 J to the financial statements, in 2020, the organization adopted new accounting guidance under FASB Accounting Standards Update No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. 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.

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, including omissions, 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.

Respectfully,

Bennett & Associates, CPAs PLLC

Ann Arbor, Michigan
August 26, 2021

CERGE-EI FOUNDATION
STATEMENTS OF FINANCIAL POSITION
December 31,

	2020	2019
ASSETS		
Cash and cash equivalents	\$ 1,630,964	\$ 2,352,979
Accounts receivable	-	2,704
Grants receivable	21,828	34,276
Prepaid expenses	1,531	66,155
Investments		
Investments held for non-endowment	4,333,146	4,187,644
Investments held for endowment purposes	6,379,698	6,115,910
	10,712,844	10,303,554
TOTAL ASSETS	\$ 12,367,167	\$ 12,759,668
 LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$ 39,251	\$ 19,634
Promises to give	-	135,600
Deferred tuition revenue	970	317,867
	40,221	473,101
TOTAL LIABILITIES	40,221	473,101
NET ASSETS		
Without donor restrictions		
Undesignated	4,614,282	5,087,378
Board designated	188,480	188,480
With donor restrictions	7,524,184	7,010,709
	12,326,946	12,286,567
TOTAL NET ASSETS	12,326,946	12,286,567
TOTAL LIABILITIES AND NET ASSETS	\$ 12,367,167	\$ 12,759,668

CERGE-EI FOUNDATION
STATEMENTS OF ACTIVITIES
For the years ended December 31,

	2020	2019
NET ASSETS WITHOUT DONOR RESTRICTIONS		
SUPPORT AND REVENUE		
Grants and contributions	\$ 34,094	\$ 72,497
Tuition income	482,155	1,076,042
Net investment return	34,642	53,589
Net assets released from restriction	2,172,787	3,635,559
TOTAL SUPPORT AND REVENUE	2,723,678	4,837,687
EXPENSES		
Program services		
Teaching and research	3,040,013	5,189,452
Supporting services		
Management and general	127,355	120,785
Fundraising	29,406	43,852
TOTAL EXPENSES	3,196,774	5,354,089
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	(473,096)	(516,402)
NET ASSETS WITH DONOR RESTRICTIONS		
Grants and contributions	2,422,474	3,796,185
Endowment contributions	-	-
Net investment return on endowment funds	263,788	1,017,480
Net assets released from restriction	(2,172,787)	(3,635,559)
CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS	513,475	1,178,106
CHANGE IN NET ASSETS	40,379	661,704
NET ASSETS AT BEGINNING OF YEAR	12,286,567	11,624,863
NET ASSETS AT END OF YEAR	\$ 12,326,946	\$ 12,286,567

CERGE-EI FOUNDATION
STATEMENTS OF FUNCTIONAL EXPENSES
For the year ended December 31, 2020 with comparative totals for 2019

	Program Services		Supporting Services		2020 Total	2019 Total
	Teaching and Research	Management and General	Fund- Raising			
Grants and Other Support						
Grants to CERGE-EI, including support for UPCES and MAE programs	\$ 439,468	\$ -	\$ -		\$ 439,468	\$ 877,156
Grants to other organizations	114,007	-	-		114,007	1,486,755
Grants to individuals	919,868	-	-		919,868	915,333
CERGE-EI faculty and administrative support	894,625	37,322	20,910		952,857	907,437
	2,367,968	37,322	20,910		2,426,200	4,186,681
Other Expenses						
Compensation of officers and directors	122,916	23,592	7,864		154,372	152,722
Accounting fees	-	15,108	-		15,108	15,529
Legal fees	-	8,215	-		8,215	7,779
Fees for services - other	-	9,516	-		9,516	-
Office expenses	8,028	22,116	64		30,208	24,205
Travel	1,522	507	-		2,029	42,034
Conferences and meetings	36,400	-	-		36,400	68,718
Insurance	-	3,416	-		3,416	4,433
UPCES administration, faculty, and other expenses	309,933	-	-		309,933	677,754
MAE administration, faculty, and other expenses	80,263	-	-		80,263	149,858
Distance Learning Program administration, faculty, and other expenses	112,342	-	-		112,342	-
Other	641	7,563	568		8,772	24,376
Total Expenses	\$ 3,040,013	\$ 127,355	\$ 29,406		\$ 3,196,774	\$ 5,354,089

CERGE-EI FOUNDATION
STATEMENTS OF FUNCTIONAL EXPENSES
For the year ended December 31, 2019

	Program Services	Supporting Services		2019 Total
	Teaching and Research	Management and General	Fund- Raising	
Grants and Other Support				
Grants to CERGE-EI, including support for UPCES and MAE programs	\$ 877,156	\$ -	\$ -	\$ 877,156
Grants to other organizations	1,486,755	-	-	1,486,755
Grants to individuals	915,333	-	-	915,333
CERGE-EI faculty and administrative support	851,569	36,391	19,477	907,437
	<u>4,130,813</u>	<u>36,391</u>	<u>19,477</u>	<u>4,186,681</u>
Other Expenses				
Compensation of officers and directors	121,266	23,592	7,864	152,722
Accounting fees	-	15,529	-	15,529
Legal fees	-	7,779	-	7,779
Fees for services - other	-	-	-	-
Office expenses	8,265	15,662	278	24,205
Travel	40,841	1,193	-	42,034
Conferences and meetings	60,655	8,063	-	68,718
Insurance	-	4,433	-	4,433
UPCES administration, faculty, and other expenses	677,754	-	-	677,754
MAE administration, faculty, and other expenses	149,858	-	-	149,858
Distance Learning Program administration, faculty, and other expenses	-	-	-	-
Other	-	8,143	16,233	24,376
Total Expenses	<u>\$ 5,189,452</u>	<u>\$ 120,785</u>	<u>\$ 43,852</u>	<u>\$ 5,354,089</u>

CERGE-EI FOUNDATION
STATEMENTS OF CASH FLOWS
For the years ended December 31,

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 40,379	\$ 661,704
Adjustments to reconcile change in net assets to net cash from operating activities:		
Realized and unrealized (gains)/losses on investments	132,442	(763,305)
Change in accounts receivable	2,704	(2,704)
Change in grants receivable	12,448	122,373
Change in prepaid expenses	64,624	(62,801)
Change in accounts payable	19,617	(322,980)
Change in promises to give (outgoing)	(135,600)	135,600
Change in deferred revenue	(316,897)	14,217
Contributions restricted for long-term purposes	-	-
Net cash from (used for) operating activities	(180,283)	(217,896)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales of investments	989,125	1,265,000
Purchases of investments	(1,530,857)	(818,786)
Net cash from (used for) investing activities	(541,732)	446,214
CASH FLOWS FROM FINANCING ACTIVITIES		
Collection of endowment fund contributions	-	-
Net cash from financing activities	-	-
NET CHANGE IN CASH AND CASH EQUIVALENTS	(722,015)	228,318
Cash and cash equivalents at beginning of year	2,352,979	2,124,661
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 1,630,964	\$ 2,352,979

NOTE A - NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of 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. Funding is derived from endowment funds, corporate and foundation grants, contributions, and tuition income.

Basis of Accounting

The financial statements of the Foundation have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities.

Basis of Presentation

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

Net assets without donor restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

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

Cash and Cash Equivalents

The Foundation considers all highly liquid investments with an original maturity of three months or less and money market mutual funds to be cash, except for money market funds held as a portion of the Foundation's endowment portfolio, in which case they are classified as long-term investments and are not considered to be cash equivalents for purpose of the statement of cash flows.

Office Equipment

Acquisitions of equipment in excess of \$2,000 are capitalized. Equipment is carried at cost. Depreciation is computed using the straight-line method.

Investments

Investment purchases are recorded at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the statements of financial position. Net investment return/(loss) is reported in the statements of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external and direct internal investment expenses.

Grants Receivable

Grants receivable consists of unconditional promises to give due within one year, and are considered fully collectible.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, *continued*

Support and Revenue Recognition

Contributions, including unconditional promises to give, are recognized when received. All contributions are reported as increases in net assets without donor restrictions unless use of the contributed assets is specifically restricted by the donor. Amounts received that are restricted by the donor to use in future periods or for specific purposes are reported as increases in net assets with donor restrictions. Unconditional promises with payments due in future years have an implied restriction to be used in the year the payment is due, and therefore are reported as restricted until the payment is due, unless the contribution is clearly intended to support activities of the current fiscal year. Conditional promises, such as matching grants, are not recognized until they become unconditional, that is, until all conditions on which they depend are substantially met.

The Foundation recognizes revenue when it transfers promised goods or services to customers in an amount that reflects the consideration in which it expects to be entitled in exchange for those goods or services.

Tuition 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. Accounts receivable are recorded for any tuition not yet received by the end of the semester.

Contract liabilities are shown as deferred revenue on the statement of financial position.

Expense Allocation

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 compensation of officers and directors and CERGE-EI faculty and administrative support, which are allocated on the basis of estimates of time and effort.

Use of Estimates

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

Tax Status

The Foundation is exempt from federal income taxes under Section 501(a) of the Internal Revenue Code, as an organization described in Section 501(c)(3). The Foundation is not a private operating foundation.

Reclassifications

Certain items in the 2019 financial statements have been reclassified to conform to the 2020 presentation. Such reclassifications have no effect on the previously reported changes in net assets.

Subsequent Events

Subsequent events have been evaluated through August 26, 2021, the date the financial statements were available to be issued.

NOTE B - LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of December 31, 2020 and 2019, comprise the following:

	2020	2019
Financial assets:		
Cash and cash equivalents	\$ 1,630,964	\$ 2,352,979
Accounts receivable	-	2,704
Grants receivable	21,828	34,276
Investments held for non-endowment	4,333,146	4,187,644
Investments held for endowment purposes	6,379,698	6,115,910
Total financial assets	12,365,636	12,693,513
Less financial assets held to meet donor-imposed restrictions:		
Purpose-restricted net assets	(1,144,486)	(894,799)
Donor-restricted endowment funds	(6,379,698)	(6,115,910)
Less board-designated funds	(188,480)	(188,480)
Available for general expenditures within one year	\$ 4,652,972	\$ 5,494,324

The above table reflects donor-restricted endowment funds as unavailable because it is the Foundation's intention to invest those resources for the long-term support of the Foundation. However, in the case of need, the Board of Directors could appropriate resources from the donor-restricted funds (\$6,379,698, of which \$3,862,330 is the original gift). Note G provides more information about those funds and about the spending policies for the endowment funds.

As part of its liquidity management plan, it invests cash in excess of daily requirements in certificates of deposit, mutual funds, and money market funds. Occasionally, the Board designates a portion of any operating surplus to its staff replacement reserve and video facility fund, which was \$188,480 as of December 31, 2020 and 2019, respectively.

NOTE C - INVESTMENTS

FASB ASC 820 provides the framework for measuring fair value. The 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 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

Level 1 – quoted prices in active markets for identical investments

Level 2 – other significant observable inputs (including quoted prices for similar investments, interest rates, prepayment speeds, credit risk, etc.)

Level 3 – significant unobservable inputs (including the Foundation's own assumptions in determining the fair value of investments)

NOTE C - INVESTMENTS, *continued*

Investments at December 31, 2020 and 2019 are classified in the following tables:

	2020			
	Fair Value Measurements Using			
	Level 1	Level 2	Level 3	Total
<u>Equity securities:</u>				
Mutual fund - foreign large cap value	\$ 2,707,048	\$ -	\$ -	\$ 2,707,048
Mutual fund - mid cap value	2,671,842	-	-	2,671,842
<u>Fixed income securities:</u>				
Mutual fund - corporate bond	1,336,647	-	-	1,336,647
<u>Money market funds:</u>				
US Money Market	2,584,494	-	-	2,584,494
Total assets in the fair value hierarchy	<u>\$ 9,300,031</u>	<u>\$ -</u>	<u>\$ -</u>	9,300,031
Investments measured at net asset value				-
Investments at fair value				9,300,031
Other investments - certificates of deposit				1,412,813
Total investments				<u>\$ 10,712,844</u>

	2019			
	Fair Value Measurements Using			
	Level 1	Level 2	Level 3	Total
<u>Equity securities:</u>				
Mutual fund - foreign large cap value	\$ 2,054,044	\$ -	\$ -	\$ 2,054,044
Mutual fund - mid cap value	1,109,382	-	-	1,109,382
<u>Fixed income securities:</u>				
Mutual fund - corporate bond	2,014,164	-	-	2,014,164
<u>Money market funds:</u>				
US Money Market	3,133,149	-	-	3,133,149
Total assets in the fair value hierarchy	<u>\$ 8,310,739</u>	<u>\$ -</u>	<u>\$ -</u>	8,310,739
Investments measured at net asset value				1,291,534
Investments at fair value				9,602,273
Other investments - certificates of deposit				701,281
Total investments				<u>\$ 10,303,554</u>

Investments Measured at Net Asset Value

Investments measured at net asset value consist entirely of the MLM US Focused Equity Fund, LLC at December 31, 2019. This investment was sold in its entirety in 2020. Fair value of the MLM US Focused Equity Fund, LLC at December 31, 2019 is calculated based on the value of the Foundation's Class C member capital account, as provided by the investment manager.

MLM US Focused Equity Fund, LLC is a Delaware limited liability company with an investment objective of appreciation of its assets through trading. The LLC will trade pursuant to Mount Lucas Management Corporation's proprietary MLM Focused Equity Trading Program. The MLM US Focused Equity Trading Program is a concentrated equity model developed by Mount Lucas that selects stocks from the S&P 500. The model chooses stocks based on a combination of value fundamentals and price momentum criteria. The portfolio seeks to achieve returns over and above the S&P 500 with low trading costs.

NOTE C - INVESTMENTS, *continued*

Net Investment Return

The following schedules summarize the net investment return and its classification in the statements of activities for the years ended December 31:

	2020	
	Without Donor Restrictions	With Donor Restrictions
Dividends and interest	\$ 25,537	\$ 405,335
Unrealized gains / (losses)	9,105	286,799
Realized gains / (losses)	-	(428,346)
Total net investment return	\$ 34,642	\$ 263,788

	2019	
	Without Donor Restrictions	With Donor Restrictions
Dividends and interest	\$ 39,860	\$ 267,904
Unrealized gains / (losses)	13,729	749,576
Realized gains / (losses)	-	-
Total net investment return	\$ 53,589	\$ 1,017,480

NOTE D - RISKS AND UNCERTAINTIES

The Foundation invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statements of activities. The Foundation's investments other than marketable Certificates of Deposit are not covered by FDIC insurance.

NOTE E - BOARD DESIGNATED NET ASSETS

Board designated net assets at December 31 consist of the following designations:

	2020	2019
Staff replacement reserve	\$ 150,000	\$ 150,000
Video facility	38,480	38,480
Totals	\$ 188,480	\$ 188,480

NOTE F - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes or periods:

	December 31,	
	2020	2019
Subject to expenditure for specified purpose:		
Regional Research Competition	\$ 87,515	\$ 87,515
Institute for Democracy & Economic Analysis	129,335	81,264
Teaching Fellows	919,439	716,558
USAID ASHA grant program	-	1,684
Other	8,197	7,778
	1,144,486	894,799
Endowments:		
Subject to NFP endowment spending policy and appropriation:		
Citigroup Professorship Endowment	1,500,000	1,500,000
Citigroup Scholarship Endowment	1,000,000	1,000,000
Mellon Associate Professorship Endowment	1,000,000	1,000,000
Vannerson Scholarship Endowment	300,000	300,000
Svejnar-Terrell (teaching prize)	28,500	28,500
Jan Kmenta Library Fund	33,830	33,830
Accumulated investment return	3,349,368	3,085,580
Appropriation of endowment assets	(832,000)	(832,000)
Total endowments	6,379,698	6,115,910
	\$ 7,524,184	\$ 7,010,709

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows for the years ended December 31, 2020 and 2019:

	2020	2019
Satisfaction of purpose restrictions		
Teaching Fellows	\$ 2,149,264	\$ 2,166,467
USAID ASHA grant program	23,512	215,788
Common Sense Economics project	-	1,250,000
Other	11	3,304
	\$ 2,172,787	\$ 3,635,559

NOTE G - ENDOWMENT

The Foundation's endowment (the Endowment) consists of multiple individual funds established for a variety of purposes. Its endowment includes donor-restricted endowment funds to function as endowments. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

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, 2020 and 2019, there were no such donor stipulations. As a result of this interpretation, the Foundation retains in perpetuity (a) the original value of initial and subsequent gift amounts donated to the Endowment and (b) any accumulations to the Endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure by the Foundation in a manner consistent with its spending policy. The Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the Foundation and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Foundation
- The investment policies of the Foundation

Endowment Composition by Type of Fund

The following schedule summarizes the endowment net asset composition by type of fund as of December 31, 2020:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	\$ -	\$ 3,862,330	\$ 3,862,330
Accumulated investment gains	-	2,517,368	2,517,368
	\$ -	\$ 6,379,698	\$ 6,379,698

The following schedule summarizes the endowment net asset composition by type of fund as of December 31, 2019:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	\$ -	\$ 3,862,330	\$ 3,862,330
Accumulated investment gains	-	2,253,580	2,253,580
	\$ -	\$ 6,115,910	\$ 6,115,910

NOTE G - ENDOWMENT, *continued*

Change in Endowment Net Assets

The changes in endowment net assets for the year ended December 31, 2020 are presented in the following schedule:

	Without Donor Restrictions	With Donor Restrictions	Total
Net assets, beginning of year	\$ -	\$ 6,115,910	\$ 6,115,910
Contributions	-	-	-
Appropriation of endowment assets for expenditure	-	-	-
Dividends and interest	-	405,335	405,335
Net appreciation / (depreciation) (realized and unrealized)	-	(141,547)	(141,547)
Other changes	-	-	-
Net assets, end of year	<u>\$ -</u>	<u>\$ 6,379,698</u>	<u>\$ 6,379,698</u>

The changes in endowment net assets for the year ended December 31, 2019 are presented in the following schedule:

	Without Donor Restrictions	With Donor Restrictions	Total
Net assets, beginning of year	\$ -	\$ 5,098,430	\$ 5,098,430
Contributions	-	-	-
Appropriation of endowment assets for expenditure	-	-	-
Dividends and interest	-	267,904	267,904
Net appreciation / (depreciation) (realized and unrealized)	-	749,576	749,576
Other changes	-	-	-
Net assets, end of year	<u>\$ -</u>	<u>\$ 6,115,910</u>	<u>\$ 6,115,910</u>

Return Objectives and Risk Parameters

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity.

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.

NOTE G - ENDOWMENT, *continued*

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Foundation annually transfers funds from its endowment to its general fund in an amount equal to 5% of at least the monthly average balance for the prior year. 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 to be in the best interests of the Foundation. No transfers were made in 2020 or 2019.

NOTE H - CONCENTRATIONS

Concentrations of Credit Risk

The Foundation maintains its cash balances in various banks. Cash and cash equivalents exceeding federally insured limits totaled approximately \$399,870 at December 31, 2020.

Concentration of Funders

In 2020 and 2019, the Foundation received approximately 92% and 87%, respectively, of its total grants and contributions from one donor.

NOTE I - RELATED PARTY TRANSACTIONS

In 2020 and 2019, some board members participated in the Foundation's grant-funded programs and received payment for these services. Payments to board members in 2020 and 2019 totaled \$154,372 and \$152,722, respectively.

Contributions from board members totaled \$64,984 and \$58,769 in 2020 and 2019, respectively.

NOTE J - CHANGE IN ACCOUNTING PRINCIPLE

During the year ended December 31, 2020, the Foundation adopted new accounting guidance under FASB ASU No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*.

Based on this guidance, the Foundation changed how it accounts for funds granted to CERGE-EI for general support and various expenses, including support for UPCES and MAE programs, and how it accounts for funds granted to its regional partners through its Teaching Fellows Program. Funds granted to CERGE-EI are considered unconditional, as opposed to conditional as previously accounted for, and funds granted to its regional partners are considered conditional promises to give, as opposed to unconditional as previously accounted for.

As allowed by the ASU, the change in principle was applied on a modified prospective basis to the 2020 financial statements, with no cumulative-effect adjustment to the opening net assets balances or restatement of the 2019 statements.

The December 31, 2020, balances in prepaid expenses and promises to give on the statement of financial position are lower than they would have been under the previous guidance.

NOTE K - SUBSEQUENT EVENTS

The UPCES Spring and Summer 2021 programs were cancelled due to the coronavirus pandemic, negatively affecting the Foundation's program service revenue for 2021. At the date of issuance of these financial statements, the economy and financial markets continue to experience significant fluctuations due to the coronavirus pandemic. Although management continues to monitor and assess the effects of the coronavirus pandemic on its operations, the ultimate impact of the pandemic is highly uncertain and subject to change.