

**THE ATLANTIC COUNCIL OF THE UNITED STATES, INC.**  
**FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2022**  
**(WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2021)**



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**(WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2021)**

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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
The Atlantic Council of the United States, Inc.  
Washington, DC

### **Report on the Audit of the Financial Statements**

#### ***Opinion***

We have audited the accompanying financial statements of The Atlantic Council of the United States (the Council), which comprise the statement of financial position as of December 31, 2022, and the related statements of activities and change in net assets, 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 the Council as of December 31, 2022, and change in 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 (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 the Council 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.

#### ***Change in Accounting Principle***

As discussed in Note 1 to the financial statements, in 2022 the Council adopted new accounting guidance for leases. The guidance requires lessees to recognize a right-of-use asset and corresponding liability for all operating and finance leases with lease terms greater than one year. 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 the Council's ability to continue as a going concern for one year after the date 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 GAAS and *Government 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 GAAS and *Government 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 the Council'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 the Council'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.

Board of Directors  
The Atlantic Council of the United States, Inc.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated June 23, 2023, on our consideration of the Council's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Council's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Council's internal control over financial reporting and compliance.

*CliftonLarsonAllen LLP*

**CliftonLarsonAllen LLP**

Arlington, Virginia  
June 23, 2023

**THE ATLANTIC COUNCIL OF THE UNITED STATES, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**DECEMBER 31, 2022**  
**(WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2021)**

<b>ASSETS</b>	2022	2021
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 3,982,495	\$ 6,283,771
Grants and Contributions Receivable	23,045,956	24,281,198
Prepaid Expenses and Other	894,199	925,525
Total Current Assets	27,922,650	31,490,494
<b>FIXED ASSETS</b>		
Fixed Assets, Net of Accumulated Depreciation and Amortization of \$4,351,625 and \$4,099,558 for 2022 and 2021, Respectively	3,483,731	4,306,179
<b>RIGHT OF USE ASSET (ROU)</b>		
Right of Use Assets - Operating, Equipment	72,743	-
Right of Use Assets - Operating, Occupancy	12,593,431	-
<b>NONCURRENT ASSETS</b>		
Investments	38,800,148	41,434,437
Grants and Contributions Receivable, Net	3,953,928	12,946,873
Total Noncurrent Assets	42,754,076	54,381,310
Total Assets	\$ 86,826,631	\$ 90,177,983

See accompanying Notes to Financial Statements.

**THE ATLANTIC COUNCIL OF THE UNITED STATES, INC.**  
**STATEMENT OF FINANCIAL POSITION (CONTINUED)**  
**DECEMBER 31, 2022**  
**(WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2021)**

	2022	2021
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts Payable and Accrued Liabilities	\$ 6,429,949	\$ 4,326,238
Pass-Through Liability	71,859	764,611
Refundable Advance	299,310	219,442
Capital Lease Obligation	-	69,033
Lease Liability - Operating, Equipment	67,106	-
Lease Liability - Operating Lease - Occupancy	2,714,970	-
Deferred Revenue	1,018,902	277,058
Deferred Rent	-	433,647
Total Current Liabilities	10,602,096	6,090,029
<b>NONCURRENT LIABILITIES</b>		
Capital Lease Obligation, Net of Current Portion	-	63,190
Lease Liability - Operating Equipment, Net of Current Portion	5,636	-
Lease Liability - Operating Leases, Net of Current Portion	13,944,463	-
Deferred Rent, Net of Current Portion	-	3,879,573
Deferred Compensation	350,184	217,784
Total Noncurrent Liabilities	14,300,283	4,160,547
Total Liabilities	24,902,379	10,250,576
<b>NET ASSETS</b>		
Without Donor Restrictions	252,754	2,989,234
With Donor Restrictions	61,671,498	76,938,173
Total Net Assets	61,924,252	79,927,407
Total Liabilities and Net Assets	\$ 86,826,631	\$ 90,177,983

See accompanying Notes to Financial Statements.

**THE ATLANTIC COUNCIL OF THE UNITED STATES, INC.**  
**STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS**  
**YEAR ENDED DECEMBER 31, 2022**  
**(WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2021)**

	2022			2021
	Without Donor Restrictions	With Donor Restrictions	Total	Total
<b>REVENUE</b>				
Grants and Contributions				
Individuals	\$ 2,185,827	\$ 7,720,893	\$ 9,906,720	\$ 9,293,741
Corporate Support	2,403,834	23,103,852	25,507,686	22,610,235
Foundations	108,814	10,326,284	10,435,098	3,870,523
Government Grants	100,000	9,263,875	9,363,875	6,885,940
Loss on Restricted Promises to Give	-	(3,900,000)	(3,900,000)	-
Change in Present Value Discount on Multi-Year Contributions	(242,327)	-	(242,327)	(65,921)
Contracts	-	247,024	247,024	137,429
Contributed Services and Materials	67,021	184,857	251,878	147,081
Other Revenue	12,325	(347,929)	(335,604)	(136,800)
Net Assets Released from Donor Restrictions	58,620,885	(58,620,885)	-	-
Total Revenue	<u>63,256,379</u>	<u>(12,022,029)</u>	<u>51,234,350</u>	<u>42,742,228</u>
<b>EXPENSES</b>				
Program/Center Services				
Adrienne Arsht Latin America Center	3,282,497	-	3,282,497	1,751,804
Adrienne Arsht Rockefeller Foundation Center for Resilience	9,575,370	-	9,575,370	6,614,197
Africa Center	1,312,891	-	1,312,891	609,324
Atlantic Council in Turkey	839,400	-	839,400	522,374
China Hub	775,782	-	775,782	143,902
Digital Forensic Research Lab	6,127,272	-	6,127,272	3,819,197
Eurasia Center	1,585,444	-	1,585,444	1,353,202
Future Europe Initiative	3,222,582	-	3,222,582	2,668,999
Freedom and Prosperity Center	1,014,443	-	1,014,443	-
Global Energy Center	5,034,655	-	5,034,655	3,211,694
Geo Tech Center	1,489,969	-	1,489,969	1,320,449
Global Business and Economics Program	3,160,237	-	3,160,237	2,169,227
Middle East Programs	5,097,250	-	5,097,250	3,696,931
Millennium Leadership Program	443,726	-	443,726	387,990
Scowcroft Center for Strategy and Security	8,283,563	-	8,283,563	6,351,943
South Asia Center	844,952	-	844,952	808,353
Total Program/Center Services	<u>52,090,033</u>	<u>-</u>	<u>52,090,033</u>	<u>35,429,586</u>
Supporting Services				
Management and General	7,334,247	-	7,334,247	6,267,911
Fundraising	4,011,496	-	4,011,496	3,091,100
Total Supporting Services	<u>11,345,743</u>	<u>-</u>	<u>11,345,743</u>	<u>9,359,011</u>
Total Expenses	<u>63,435,776</u>	<u>-</u>	<u>63,435,776</u>	<u>44,788,597</u>
<b>OTHER ITEMS</b>				
Investment Loss, Net	<u>(2,557,083)</u>	<u>(3,244,646)</u>	<u>(5,801,729)</u>	<u>4,548,709</u>
<b>CHANGE IN NET ASSETS</b>	<u>(2,736,480)</u>	<u>(15,266,675)</u>	<u>(18,003,155)</u>	<u>2,502,340</u>
Net Assets - Beginning of Year	<u>2,989,234</u>	<u>76,938,173</u>	<u>79,927,407</u>	<u>77,425,067</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 252,754</u>	<u>\$ 61,671,498</u>	<u>\$ 61,924,252</u>	<u>\$ 79,927,407</u>

See accompanying Notes to Financial Statements.



**THE ATLANTIC COUNCIL OF THE UNITED STATES, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED DECEMBER 31, 2022**  
**(WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2021)**

	2022											
	Program/Center Services											
	Adrienne Arsht Latin America Center	Adrienne Arsht Rockefeller Foundation Center for Resilience	Africa Center	Atlantic Council in Turkey	China Hub	Digital Forensic Research Lab	Eurasia Center	Future Europe Initiative	Freedom and Prosperity Center	Global Energy Center	GeoTech Center	Global Business and Economics Program
Personnel Expense	\$ 1,645,947	\$ 3,427,883	\$ 562,156	\$ 367,754	\$ 471,201	\$ 3,580,565	\$ 817,067	\$ 1,631,005	\$ 372,774	\$ 2,215,726	\$ 763,280	\$ 1,252,128
Consultants	487,556	4,447,587	108,890	117,951	131,149	862,269	250,153	864,953	504,005	644,472	233,482	881,772
Professional Fees	57,120	215,580	20,851	13,839	17,469	121,639	24,755	50,722	15,839	84,593	28,334	60,757
Office Expenses	421,469	833,446	128,552	68,526	115,353	705,952	197,026	343,860	89,903	559,718	126,513	399,982
Event Expenses	407,166	185,825	461,430	74,415	30,079	482,600	45,629	117,640	3,150	285,733	120,298	365,579
Travel	219,798	428,334	28,073	100,021	8,868	360,166	234,598	207,277	26,513	1,112,928	214,686	170,771
Public Relations	31,446	-	-	-	-	-	-	-	-	37,842	-	22,797
In-Kind Contributions	4,223	12,320	1,689	96,638	998	7,884	2,040	5,943	1,305	78,979	1,917	4,066
Other Expenses	7,772	24,395	1,250	256	665	6,197	14,176	1,182	954	14,664	1,459	2,385
Total Functional Expenses	<u>\$ 3,282,497</u>	<u>\$ 9,575,370</u>	<u>\$ 1,312,891</u>	<u>\$ 839,400</u>	<u>\$ 775,782</u>	<u>\$ 6,127,272</u>	<u>\$ 1,585,444</u>	<u>\$ 3,222,582</u>	<u>\$ 1,014,443</u>	<u>\$ 5,034,655</u>	<u>\$ 1,489,969</u>	<u>\$ 3,160,237</u>

See accompanying Notes to Financial Statements.

**THE ATLANTIC COUNCIL OF THE UNITED STATES, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES (CONTINUED)**  
**YEAR ENDED DECEMBER 31, 2022**  
**(WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2021)**

	2022								2021	
	Program/Center Services (Continued)					Supporting Services			Total Expenses	Total Expenses
	Middle East Programs	Millennium Leadership Program	Scowcroft Center for Strategy and Security	South Asia Center	Total Program/Center Services	Management and General	Fundraising	Total Supporting Services		
Personnel Expense	\$ 2,754,489	\$ 270,834	\$ 3,709,266	\$ 524,482	\$ 24,366,557	\$ 3,932,720	\$ 1,995,387	\$ 5,928,107	\$ 30,294,664	\$ 24,068,703
Consultants	1,106,182	29,342	1,338,286	148,202	12,156,251	573,195	188,438	761,633	12,917,884	8,923,964
Professional Fees	100,205	6,928	139,689	13,193	971,513	1,867,722	52,098	1,919,820	2,891,333	2,492,103
Office Expenses	507,636	60,584	840,693	112,888	5,512,101	-	507,504	507,504	6,019,605	4,889,163
Event Expenses	218,346	1,576	1,627,919	20,816	4,448,201	79,918	1,021,195	1,101,113	5,549,314	2,101,453
Travel	392,609	70,377	540,193	5,086	4,120,298	118,767	228,646	347,413	4,467,711	789,622
Public Relations	-	-	64,654	-	156,739	-	-	-	156,739	-
In-Kind Contributions	6,558	571	10,658	16,087	251,876	-	-	-	251,876	174,168
Other Expenses	11,225	3,514	12,205	4,198	106,497	761,925	18,228	780,153	886,650	1,349,421
<b>Total Functional Expenses</b>	<b>\$ 5,097,250</b>	<b>\$ 443,726</b>	<b>\$ 8,283,563</b>	<b>\$ 844,952</b>	<b>\$ 52,090,033</b>	<b>\$ 7,334,247</b>	<b>\$ 4,011,496</b>	<b>\$ 11,345,743</b>	<b>\$ 63,435,776</b>	<b>\$ 44,788,597</b>

See accompanying Notes to Financial Statements.

**THE ATLANTIC COUNCIL OF THE UNITED STATES, INC.**  
**STATEMENT OF CASH FLOWS**  
**YEAR ENDED DECEMBER 31, 2022**  
**(WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2021)**

	2022	2021
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ (18,003,155)	\$ 2,502,340
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation and Amortization	696,487	662,274
Loss on Restricted Promises to Give	3,900,000	-
Bad Debt Expense	517,628	551,840
Impact of Lease Standard Implementation	(246,071)	-
Net Realized and Unrealized Loss (Gain) on Investments	7,015,387	(3,415,355)
Change in Discount on Grants and Contributions Receivable	(242,327)	(65,921)
Donated Stock	(95,932)	(229,529)
Changes in Operating Assets and Liabilities:		
Grants and Contributions Receivable	6,052,886	5,069,041
Contracts and Other Receivable	-	68,933
Prepaid Expenses and Other	31,326	(8,331)
Accounts Payable and Accrued Liabilities	2,103,711	1,115,925
Refundable Advance	79,868	140,774
Pass-Through Liability	(692,752)	764,611
Deferred Revenue	741,844	(19,316)
Deferred Rent	-	(363,893)
Deferred Compensation	132,400	(85,007)
Net Cash Provided by Operating Activities	1,991,300	6,688,386
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of Fixed Assets	(7,410)	(1,228,406)
Purchases of Investments	(8,629,956)	(8,796,735)
Proceeds from Sales of Investments	4,344,790	2,990,827
Net Cash Used by Investing Activities	(4,292,576)	(7,034,314)
 <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Principal Payments on Capital Lease Obligations	-	(67,601)
Net Cash Used by Financing Activities	-	(67,601)
 <b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	(2,301,276)	(413,529)
Cash and Cash Equivalents - Beginning of Year	6,283,771	6,697,300
 <b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	\$ 3,982,495	\$ 6,283,771
 <b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Noncash Transactions Arising from the ASC 842 Adoption:		
Recognition of Right-of-Use Asset	\$ (12,666,174)	\$ -
Recognition of Lease Liability	16,732,175	-
Write-Off of Deferred Rent	(4,313,220)	-
Impact of Equipment Lease Reclassification	1,148	-
 Cash Paid During the Year for:		
Interest	\$ -	\$ 5,976
Total	\$ -	\$ 5,976

See accompanying Notes to Financial Statements.

**THE ATLANTIC COUNCIL OF THE UNITED STATES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022**  
**(WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2021)**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION**

**Organization**

The Atlantic Council of the United States, Inc. (the Council), formed in December 1961, is a nonprofit organization, incorporated and located in the District of Columbia. The Council promotes constructive leadership and engagement in international affairs based on the central role of the Atlantic Community in meeting global challenges. Founded in 1961, the Council provides an essential forum for navigating the dramatic shifts in economic and political influence that are shaping the twenty-first century by educating and galvanizing its uniquely influential, nonpartisan network of international political, business, and intellectual leaders. Through the papers we write, the ideas we promote, and the communities we build, the Council's 16 regional centers and functional programs shape today's policy choices and foster transatlantic strategies to advance international security and global economic prosperity.

**Basis of Presentation**

The accompanying financial statements are presented on the accrual basis of accounting, whereby revenue is recognized when earned and expenses are recognized when incurred.

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Council's financial statements for the year ended December 31, 2021, from which the summarized information was derived.

The accompanying financial statements represent the activity of the Council only. For the years ended December 31, 2022 and 2021 the Fundacja Atlantic Council in Europe had no financial activities. Therefore, the Fundacja Atlantic Council has not been consolidated into the Council's 2022 and 2021 financial statements (as further discussed in Note 5).

**Measurement of Operation**

The Council does not consider investment returns to be revenues from its operations.

**Cash and Cash Equivalents**

The Council considers all cash and other highly liquid investments, including certificates of deposit, with maturities of three months or less to be cash equivalents, and excluding money market funds and cash deposits held by investment managers in the amount of \$470,562 and \$174,097 for the years ended December 31, 2022 and 2021, respectively.

Bank deposit accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to a limit of \$250,000. At times during the year, the Council maintains cash balances in excess of the FDIC insurance limits. Management believes the risk in these situations to be minimal.

**THE ATLANTIC COUNCIL OF THE UNITED STATES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022**  
**(WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2021)**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION  
(CONTINUED)**

**Investments**

Investments are recorded at their readily determinable fair value. Realized and unrealized gains and losses, net of external fees, are included in investment income in the statement of activities and change in net assets.

**Receivables**

Receivables are recorded at their net realizable value, which approximates fair value. Grants and contributions receivable that are expected to be collected in future years are recorded at fair value, measured as the present value of their future cash flows.

The discounts on these amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in grants and contribution revenue.

Receivable balances for the years ended December 31, 2022 and 2021, are considered collectible. Accordingly, an allowance for doubtful accounts has not been established.

**Fixed Assets**

Fixed assets are stated at cost. Fixed assets are depreciated on a straight-line basis over the estimated useful lives of the related assets, generally three to five years. Website development/redesign and software costs are recorded at cost and amortized using the straight-line method over 3 years. Leasehold improvements are amortized over the shorter of the remaining life of the lease or its useful life. All acquisitions greater than or equal to \$5,000, with expected lives greater than one year, are capitalized. The cost of maintenance and repairs is recorded as expenses are incurred.

**Agency Transactions**

The Council acts as an agent for certain grants and awards. The Council does not have variance power over the funds. Accordingly, these funds are recorded as liabilities until disbursed. At December 31, 2022 and 2021, \$71,859 and \$764,611, respectively, were recorded as pass-through liabilities within the statements of financial position.

**THE ATLANTIC COUNCIL OF THE UNITED STATES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022**  
**(WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2021)**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION  
(CONTINUED)**

**Leases**

The Council leases office space and equipment. The Council determines if an arrangement is a lease at inception. Operating leases are included in operating lease right-of-use (ROU) assets and operating ROU lease liabilities on the statements of financial position. Finance leases are included in financing lease ROU assets and financing ROU lease liabilities on the statements of financial position. ROU assets represent the Council's right to use an underlying asset for the lease term and lease liabilities represent The Council's obligation to make lease payments arising from the lease. ROU assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. As most of leases do not provide an implicit rate, the Council uses risk free rate based on the information available at commencement date in determining the present value of lease payments. The operating lease ROU asset also includes any lease payments made and excludes lease incentives. The lease terms may include options to extend or terminate the lease when it is reasonably certain that the Council will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term. The Council has elected to recognize payments for short-term leases with a lease term of 12 months or less as expense as incurred and these leases are not included as lease liabilities or right of use assets on the statements of financial position.

The Council has elected not to separate nonlease components from lease components and instead accounts for each separate lease component and the nonlease component as a single lease component.

**Income Taxes**

The Council is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC) and is only subject to tax on unrelated business income. The organization is not a private foundation.

**Uncertain Tax Positions**

For the year ended December 31, 2022, the Council has documented its consideration of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 740-10, *Income Taxes*, that provides guidance for reporting uncertainty in income taxes and has determined that no material uncertain tax positions qualify for either recognition or disclosure in the financial statements.

**Net Asset Classification**

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 are recorded as net assets without donor restrictions. Assets restricted solely through the actions of the board are referred to as board-designated and are also reported as net assets without donor restrictions.

**THE ATLANTIC COUNCIL OF THE UNITED STATES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022**  
**(WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2021)**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION  
(CONTINUED)**

**Net Asset Classification (Continued)**

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

Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue without donor restrictions when the assets are placed in service.

For the years ended December 31, 2022 and 2021, net assets without donor restricted included on designated fund, the Atlantic Council Future Fund. This fund is designated for general support of the Council.

For the year ended December 31, 2022, net assets with donor restrictions consist of the following:

- Achilles Education Fund – restricted by donors for educational purposes.
- Makins' Fund – restricted by donors for support of the Makins' lecture and related activities.
- Jones Chair – restricted by donors for the Scowcroft Center for Strategy & Security's distinguished Chair.
- Morningstar Chair – restricted by donors for the Global Energy Center's distinguished Chair.
- Hariri Fund – restricted by donors for the Rafik Hariri Center & Middle East programs.
- Scowcroft Fund – restricted by donors to support the Scowcroft Center for Strategy & Security.

**Revenue Recognition**

Revenue is recognized when earned. The Council recognizes contributions when cash, securities or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. 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. Amounts received prior to the conditions being met are recognized as deferred revenue in the Statement of Financial Position.

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**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION  
(CONTINUED)**

**Revenue Recognition (Continued)**

Contributions and grants received without donor restrictions and with donor restrictions are recorded as revenue in the year notification is received from the donor. Contributions and grants with donor restrictions are recognized as without donor restrictions only to the extent of actual expenses incurred in compliance with the donor-imposed restrictions and satisfaction of time restrictions. Such funds in excess of expenses incurred are shown as net assets with donor restriction in the accompanying financial statements.

A portion of the Council's revenue is derived from cost-reimbursable grants and contracts. Amounts received are recognized as earned and are reported as revenue when the Council has incurred expenditures in compliance with specific contract or grant provisions. Amounts received but not yet earned are reported as a refundable advance in the statement of financial position.

Contributed services and materials are included in the statement of activities and change in net assets at their estimated fair market value on the date of donation.

Gains or losses on the contributions with donor restrictions received in a foreign currency and reported in the functional currency of the organization, USD, are reported in other revenue on the statement of activities and changes in net assets.

**Use of Estimates**

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

**Functional Allocation of Expenses**

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities and change in net assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses directly attributed to a specific functional area of the Council are reported as direct expenses to the programmatic area and those expenses that benefit more than one function are allocated on a basis of estimated time and effort or other reasonable basis.

**Risks and Uncertainties**

The Council invests in various investment securities. Investment securities are exposed to various risks such as interest rates, 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 financial statements.



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**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION  
(CONTINUED)**

**Recently Adopted Accounting Standards**

In February 2016, the FASB issued Accounting Standards Update (ASU) 2016-02, *Leases (ASC 842)*. The new standard increases transparency and comparability among organizations by requiring the recognition of ROU assets and lease liabilities on the statement of financial position. Most prominent of the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for the leases classified as operating leases.

Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

The Council adopted the requirements of the guidance effective January 1, 2022, and has elected to apply the provisions of this standard to the beginning of the period of adoption, through a cumulative effect adjustment, with certain practical expedients available. Lease disclosures for the year ended December 31, 2021, are made under prior lease guidance in FASB ASC 840.

The Council has elected to adopt the package of practical expedients available in the year of adoption.

The Council did not elect the available practical expedients to account for existing capital leases and operating leases as finance leases and operating leases, respectively, under the new guidance, without reassessing (a) whether the contracts contain leases under the new standard, (b) whether classification of capital leases or operating leases would be different in accordance with the new guidance, or (c) whether the unamortized initial direct costs before transition adjustments would have met the definition of initial direct costs in the new guidance at lease commencement. Leases were reassessed the existing leases and redetermined whether the classification of capital leases or operating leases would be different with the new guidance.

As a result of the adoption of the new lease accounting guidance, the Council recognized on January 1, 2022, operating ROU asset of \$14,853,419 and operating lease liability of \$19,166,638. Additional detail regarding leases is provided in Note 15 Leases.

The standard had a material impact on the statements of financial position and statements of cash flows, but did not have an impact on the statements of activities. The most significant impact was the recognition of ROU assets and lease liabilities for operating leases.

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**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION (CONTINUED)**

**Recently Adopted Accounting Standards (Continued)**

In September of 2020, the FASB issued ASU No. 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which requires new disclosures and presentation for contributed nonfinancial assets, or more commonly known as gifts-in-kind. The Council adopted the requirements of the guidance effective January 1, 2022. The adoption of this ASU did not have material impact on the financial statements.

**NOTE 2 CONCENTRATION RISKS**

The Council receives grants and contributions from foundations, individuals and other organizations to accomplish its mission. For the year ended December 31, 2022, no individual donor contributed more than 10% of the Council's total support for the year. Contribution receivable as of December 31, 2022, from one funder comprised 22% of total grants and contributions receivable.

For the year ended December 31, 2021, no individual donor contributed more than 10% of the Council's total support for the year. Contribution receivable as of December 31, 2021, from one funder comprised 32% of total grants and contributions receivable.

**NOTE 3 LIQUIDITY AND AVAILABILITY**

Financial assets available for use for general expenditures within one year of the statement of financial position date comprise the following:

	<u>2022</u>	<u>2021</u>
Cash and Cash Equivalents	\$ 3,982,495	\$ 6,283,771
Grants and Contributions Receivable	26,999,884	37,228,071
Investments	<u>38,800,148</u>	<u>41,434,437</u>
Total Financial Assets	69,782,527	84,946,279
Less: Donor Restricted Funds	(61,671,498)	(76,938,173)
Less: Board-Designated Funds	<u>(1,085,627)</u>	<u>(1,379,896)</u>
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	<u>\$ 7,025,402</u>	<u>\$ 6,628,210</u>

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**NOTE 3 LIQUIDITY AND AVAILABILITY (CONTINUED)**

The Council is substantially supported by restricted contributions. Because a donor's restriction requires resources to be used in a particular manner or in a future period, the Council must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year. As part of the Council's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, the Council invests cash in excess of daily requirements in short-term investments. Occasionally, the board designates a portion of any operating surplus to its liquidity reserve, which was \$1,085,627 and \$1,379,896 as of December 31, 2022 and 2021, respectively.

The Atlantic Council Fund established by the governing board may be drawn upon in the event of financial distress or an immediate liquidity need resulting from events outside the typical life cycle of converting financial assets to cash or settling financial liabilities. In the event of an unanticipated liquidity need, the Council also could draw upon \$4,000,000 of available lines of credit (as further discussed in Note 19) or its board-designated endowment fund.

**NOTE 4 GRANTS AND CONTRIBUTIONS RECEIVABLE**

Grants and contributions due in more than one year have been recorded at the present value of the estimated cash flows, using a discount rate ranging from 4.22% to 4.73% and 0.39% to 1.12% as of December 31, 2022 and 2021, respectively. Grants are due as follows at December 31:

	2022	2021
Less Than One Year	\$ 23,045,956	\$ 24,281,198
One to Five Years	4,328,838	13,079,456
Total	<u>27,374,794</u>	<u>37,360,654</u>
Less: Allowance to Discount Balance to Present Value	(374,910)	(132,583)
Total	<u>\$ 26,999,884</u>	<u>\$ 37,228,071</u>

**NOTE 5 RELATED PARTY**

Fundacja Atlantic Council in Europe (the Foundation) was formed during the year ended December 31, 2014. The Council advanced funds to facilitate the startup of the Foundation. The Council and the Foundation share personnel and other resources and as a result, they incur costs on behalf of one another. These costs were subsequently reimbursed between the organizations. For the years ended December 31, 2022 and 2021, there were no activities. Therefore, the Fundacja Atlantic Council has not been consolidated into the Council's 2022 and 2021 financial statements.

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**NOTE 5 RELATED PARTY (CONTINUED)**

Support from the Council's Board of Directors and International Advisory Board totaled \$7,494,091 and \$6,131,962 for the years ended December 31, 2022 and 2021, respectively. This support represented 15% and 14% of total support for the years ended December 31, 2022 and 2021, respectively. Related amounts due as of December 31, 2022 and 2021, were \$3,161,675 and \$6,729,235, respectively. This represents 12% and 18% of grants and contributions receivable as of December 31, 2022 and 2021, respectively.

**NOTE 6 FIXED ASSETS**

Fixed assets consisted of the following at December 31:

	<u>2022</u>	<u>2021</u>
Furniture and Equipment	\$ 923,333	\$ 1,467,376
Website and Software	379,830	406,168
Leasehold Improvements	<u>6,532,193</u>	<u>6,532,193</u>
Subtotal	7,835,356	8,405,737
Less: Accumulated Depreciation and Amortization	<u>(4,351,625)</u>	<u>(4,099,558)</u>
Total Property and Equipment	<u>\$ 3,483,731</u>	<u>\$ 4,306,179</u>

Depreciation and amortization expense was \$696,487 and \$662,274 for the years ended December 31, 2022 and 2021, respectively.

**NOTE 7 INVESTMENTS**

Investments consisted of the following at December 31:

	<u>2022</u>	<u>2021</u>
Cash and Cash Equivalents	\$ 470,562	\$ 174,097
Corporate Bonds	4,717,879	4,267,326
Government Bonds	3,020,858	3,897,779
Mutual Funds - Equity	22,615,117	24,090,705
Mutual Funds - Fixed Income	3,872,818	4,065,173
Mutual Funds - Multi-Manager Mixed Equities	2,554,160	3,318,984
Common Stocks - U.S. Equity	26,270	4,972
Tactical Tilt	<u>1,522,484</u>	<u>1,615,401</u>
Total Investments	<u>\$ 38,800,148</u>	<u>\$ 41,434,437</u>

Included in investment income are the following at December 31:

	<u>2022</u>	<u>2021</u>
Interest and Dividends	\$ 1,362,898	\$ 1,263,819
Net Unrealized and Realized Gain on Investments	(7,015,387)	3,415,355
Investment Fees	<u>(149,240)</u>	<u>(130,465)</u>
Total Investment Income, Net	<u>\$ (5,801,729)</u>	<u>\$ 4,548,709</u>

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**NOTE 8 FAIR VALUE MEASUREMENT**

The Council has categorized its financial instruments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

Investments recorded in the statement of financial position are categorized based on the inputs to valuation techniques as follows:

*Level 1* – These are investments where values are based on unadjusted quoted prices for identical assets in an active market the Council has the ability to access.

*Level 2* – These are investments where values are based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, or model-based valuation techniques that utilize inputs that are observable either directly or indirectly for substantially the full-term of the investments.

*Level 3* – These are investments where inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Following is a description of the valuation methodology used for investments measured at fair value.

*Cash and Cash Equivalents:* Fair value is equal to the reported net asset value (NAV) of the fund.

*Corporate and Government Bonds:* Valued using quoted market prices for similar assets and liabilities in active markets.

*Mutual Funds:* Valued at the daily closing price as reported by the fund. Mutual funds held by the Council are open-end mutual funds that are registered with the SEC. These funds are required to publish their daily value and to transact at that price. Mutual funds held by the Council are deemed to be actively traded.

*Mutual Fund: Multi-Manager Mixed Equity:* Equities include investments in large cap, small cap, and international equity funds. The fair value of the equity funds in this category has been estimated using the net asset value per share of the investments (or its equivalent).

*Common Stocks and Tactical Tilt:* Valued at the closing price reported on the active market in which the individual securities are traded.

*Unconditional Promises to Give:* Valued at present value net of the discounts computed using risk-adjusted interest rates applicable to the current reporting year.

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**NOTE 8 FAIR VALUE MEASUREMENT (CONTINUED)**

The table below summarizes, by level within the fair value hierarchy, the Council's investments as of December 31, 2022:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Asset Class - Investments:				
Cash and Cash Equivalents	\$ 470,562	\$ -	\$ -	\$ 470,562
Corporate Bonds	-	4,717,879	-	4,717,879
Government Bonds	-	3,020,858	-	3,020,858
Mutual Funds - Equity	22,615,117	-	-	22,615,117
Mutual Funds - Fixed Income	3,872,818	-	-	3,872,818
Common Stocks - U.S. Equity	26,270	-	-	26,270
Tactical Tilt	1,522,484	-	-	1,522,484
Unconditional Promises to Give	-	-	3,953,928	3,953,928
Investments Measured at NAV:				
Mutual Fund - Multi-Manager				
Mixed Equities	-	-	-	2,554,160
Total	<u>\$ 28,507,251</u>	<u>\$ 7,738,737</u>	<u>\$ -</u>	<u>\$ 42,754,076</u>

The table below summarizes, by level within the fair value hierarchy, the Council's investments as of December 31, 2021:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Asset Class - Investments:				
Cash and Cash Equivalents	\$ 174,097	\$ -	\$ -	\$ 174,097
Corporate Bonds	-	4,267,326	-	4,267,326
Government Bonds	-	3,897,779	-	3,897,779
Mutual Funds - Equity	24,090,705	-	-	24,090,705
Mutual Funds - Fixed Income	4,065,173	-	-	4,065,173
Common Stocks - U.S. Equity	4,972	-	-	4,972
Tactical Tilt	1,615,401	-	-	1,615,401
Unconditional Promises to Give	-	-	12,946,873	12,946,873
Investments Measured at NAV:				
Multi-Markets Fund				
Mixed Equities	-	-	-	3,318,984
Total	<u>\$ 29,950,348</u>	<u>\$ 8,165,105</u>	<u>\$ -</u>	<u>\$ 54,381,310</u>

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**NOTE 8 FAIR VALUE MEASUREMENT (CONTINUED)**

The following table reconciles the beginning and ending balance of the Council's unconditional promises to give assets that are measured at fair value using significant unobservable inputs (Level 3) for the year ended December 31, 2022:

	2022	2021
Balance - Beginning of Year	\$ 12,946,873	\$ 20,939,838
Contributions	2,460,000	3,761,956
Collections	(9,210,618)	(11,639,000)
Bad Debt Write Off	(2,000,000)	(50,000)
Change in Present Value Discount	(242,327)	(65,921)
Balance - End of Year	<u>\$ 3,953,928</u>	<u>\$ 12,946,873</u>

The unobservable inputs used to determine fair value of the unconditional promises to give have been estimated using risk-free rate available in the market. However, it is possible that different rates are reported by various sources and could differ from source to source. Due to the nature of these financial instruments and rates applied to discount them, changes in market conditions and economic environment the fair value of these financial instruments.

Certain investments are measured at fair value using NAV per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statement of financial position.

There are no unfunded future commitments at either December 31, 2022 or 2021, and the redemption period is at will.

**NOTE 9 CONTRIBUTED SERVICES AND MATERIALS**

Contributed services and materials for the years ended December 31 consisted of the following:

	2022	2021
Donated Consulting and Legal Services	\$ 139,522	\$ 121,547
Donated Airline Tickets, Hotels, Workshops	112,356	25,534
Total	<u>\$ 251,878</u>	<u>\$ 147,081</u>

Consulting and legal services, which require specialized skills are recognized as in-kind contributions at fair value and are expensed when the services are rendered. The estimate fair value of these professional services is provided by the service provider, who estimates the fair value based on their typical rates.

Donated Airlines tickets, hotels, workshops are priced at published prices of the donors.

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**NOTE 10 CONDITIONAL CONTRIBUTIONS AND GRANTS**

**Federal Awards and Contracts**

The Council earns a substantial portion of its revenues through awards with various federal agencies, which are conditioned upon certain performance requirements and the incurrence of allowable qualifying expenses and all of which may be subject to audit. Amounts received are recognized as revenue when the Council has incurred expenditures in compliance with specific grant provisions. Until such audits have been completed and final settlement reached, there exists a potential to refund any amounts received in excess of allowable costs. Management is not aware of any liability as a result of these audits. The Council received cost-reimbursable grants of which \$6,489,112 has not been recognized as of December 31, 2022, respectively, because qualifying expenditures have not yet been incurred.

**Nonfederal Awards**

The Council had approximately \$4,605,125 in conditional grants and contributions for which the conditions had not been met as of December 31, 2022.

**NOTE 11 NET ASSETS WITHOUT DONOR RESTRICTIONS**

Net assets without donor restrictions consist of undesignated net assets, board-designated net assets, and The Atlantic Council Fund. The Atlantic Council Fund is a reserve fund used for supplementing operations and providing initial funding for new programs, centers and projects.

Net assets without donor restrictions are comprised of the following at December 31:

	2022	2021
Undesignated - Atlantic Council Fund:		
Balanced Funds and Bonds	\$ (832,873)	\$ 1,609,338
Total Undesignated Net Assets	\$ (832,873)	\$ 1,609,338

Board-designated net assets are related to the following funds at December 31:

	2022	2021
Future Fund	\$ 1,085,627	\$ 1,379,896
Total Board Designated Net Assets	\$ 1,085,627	\$ 1,379,896



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**NOTE 12 NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions consisted of the following at December 31:

	2022	2021
Subject to Expenditure for Specified Purpose:		
Africa Center	\$ 289,251	\$ 271,799
Eurasia Center	1,388,187	1,203,495
Future Europe Initiative	5,413,779	3,709,873
Adrienne Arsht-Rockefeller Foundation Center for Resilience	8,307,745	17,063,207
Global Business and Economics Program	4,309,805	5,436,965
Adrienne Arsht Latin America Center	96,535	1,452,125
Global Energy Center	2,878,690	3,952,930
Middle East Programs	2,392,701	4,850,725
South Asia Center	546,437	1,065,553
Millennium Leadership Program	420,850	44,172
Scowcroft Center for Strategy and Security	1,969,889	22,051,204
GeoTech Center	3,161,856	2,379,521
Digital Forensic Research Lab	5,757,666	2,933,998
Atlantic Council in Turkey	823,369	842,527
China Hub	245,967	400,053
Freedom and Prosperity Center	1,168,904	-
Strategic Program Fund	3,495,764	4,068,405
Subject to Passage of Time	1,010,000	1,545,000
Achilles Education Fund	1,775,569	2,066,502
Makins' Fund	247,941	322,152
Jone's Chair	1,073,049	1,277,967
Hariri Fund	1,746,948	-
Morningstar Fund	1,313,900	-
Scowcroft Fund	11,836,696	-
Total Net Assets With Donor Restrictions	\$ 61,671,498	\$ 76,938,173

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**NOTE 13 NET ASSETS RELEASED FROM DONOR RESTRICTIONS**

The following net assets with donor restrictions were released from donor restrictions by incurring expenses (or through the passage of time) which satisfied the restricted purposes specified by the donors:

	2022	2021
Other Donor-Restricted Grants Released:		
Africa Center	\$ 1,491,463	\$ 691,736
Eurasia Center	1,806,066	1,531,259
Future Europe Initiative	3,660,194	2,680,973
Adrienne Arsht-Rockefeller Foundation Center for Resilience	10,685,778	6,988,830
Global Business and Economics Program	3,564,293	2,373,464
Adrienne Arsht Latin America Center	3,670,353	1,958,710
Global Energy Center	5,146,104	3,627,345
Middle East Programs	5,637,799	4,189,800
South Asia Center	952,320	913,183
Millennium Leadership Program	498,265	414,518
Scowcroft Center for Strategy and Security	9,318,312	6,777,365
GeoTech Center	1,683,279	1,494,211
Digital Forensic Research Lab	6,881,235	4,224,796
Atlantic Council in Turkey	919,946	572,940
China Hub	860,086	159,948
Freedom & Prosperity Center	1,022,324	-
Makin's Fund	28,857	-
Jones Chair (SCSS)	55,000	-
Hariri Fund (MEP)	54,154	-
Morningstar Fund (GEC)	57	-
Total Other Donor Restricted Grants Released	57,935,885	38,599,078
Subject to Passage of Time	685,000	-
Total Net Assets Released From Restriction	\$ 58,620,885	\$ 38,599,078

**NOTE 14 BOARD-DESIGNATED ENDOWMENT**

Endowment net assets consisted of the following at December 31, 2022:

	Without Donor Restrictions
Board-Designated Endowment Funds	\$ 1,085,627

Endowment net assets consisted of the following at December 31, 2021:

	Without Donor Restrictions
Board-Designated Endowment Funds	\$ 1,379,896

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**NOTE 14 BOARD-DESIGNATED ENDOWMENT (CONTINUED)**

Changes in endowment net assets are as follows for the December 31, 2022:

	Without Donor Restrictions
Board-Designated Endowments, January 1, 2022	\$ 1,379,896
Investment Loss	(194,269)
Appropriations	(100,000)
Board Designated Endowments, December 31, 2022	<u>\$ 1,085,627</u>

Changes in endowment net assets are as follows for the December 31, 2021:

	Without Donor Restrictions
Board-Designated Endowments, January 1, 2021	\$ 1,206,564
Investment Gain	173,332
Appropriations	-
Board Designated Endowments, December 31, 2021	<u>\$ 1,379,896</u>

**Investment and Spending Policies**

The Investment Committee established in writing the Council's asset allocation, including minimum and maximum allocations for each asset class in the Portfolio, and will modify it from time to time, with recommendations from the investment advisor. The Investment Committee will seek to achieve a diversified Portfolio, unless it prudently determines that, because of special circumstances, the Portfolio or a particular fund or funds within the Portfolio are better served without diversification.

The Finance and Investment Committee of the Board reviews and authorizes spending on an annual basis.

**NOTE 15 LEASES**

The Council entered into two capital leases during 2013 for copiers with the net present value at the execution of the leases of \$139,546. These capital leases were capitalized and are included in fixed assets on the statement of financial position. As of December 31, 2022 and 2021, the accumulated amortization related to the leased capital equipment was \$139,546. The leased capital equipment was disposed in 2022.

Additionally, during 2018 the Council entered into a capital lease for a copier with the net present value at the execution of the lease of \$336,093. This capital lease was capitalized and is included in fixed assets on the statement of financial position. As of December 31, 2022 and 2021, the accumulated amortization related to the leased capital equipment was \$202,272. The leased capital equipment was reassessed and determined to be an operating lease consistent with ASC 842.

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**NOTE 15 LEASE (Continued)**

In October 29, 2012, the Council signed a 15-year lease commencing in August 2013, which includes rent escalation clauses over the lease term. In 2013, the Council's new landlord assumed the Council's previous lease space. On June 28, 2013, the Council signed an additional 15-year lease for an additional floor in the new office building. This lease commenced December 2013 and includes rent escalation clauses over the term of the lease.

As part of the new office lease agreement, the landlord provided the Council with an allowance for improvements. The value of these improvements totaled \$3,755,717. These improvements have been recorded as an asset and as a deferred rent liability as of December 31, 2021.

In addition, the Council has a finance lease on equipment that was reassessed to be an operating lease in 2022 as the result of the new lease standard implementation discussed in Note 1.

The following table provides quantitative information concerning the Council's leases:

Lease Costs	
Operating Lease Costs	\$ 2,445,632
Other Information	
Cash Paid for Amounts Included in the Measurement of Lease Liabilities	
Operating Cash Flows from Operating Leases (Fixed Payment)	\$ 2,692,850
Operating Cash Flows from Operating Leases (Liability Reduction)	\$ 2,434,463
Weighted-Average Remaining Lease Term - Operating Leases	6.6 Years
Weighted-Average Discount Rate - Operating Leases	1.44%

A maturity analysis of annual undiscounted cash flows for lease liabilities as of December 31, 2022, is as follows:

<u>Year Ending December 31,</u>	<u>Operating Leases Occupancy</u>	<u>Operating Leases Equipment</u>
2023	\$ 2,933,553	\$ 67,631
2024	3,006,802	5,636
2025	3,081,986	-
2026	3,159,113	-
2027	3,238,128	-
Thereafter	1,923,588	-
Total Lease Payments	17,343,170	73,267
Less: Interest	(683,737)	(525)
Present Value of Lease Liabilities	<u>\$ 16,659,433</u>	<u>\$ 72,742</u>

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**NOTE 15 LEASES (CONTINUED)**

The Council maintains a letter of credit agreement with Citibank in the amount of \$194,483 for years ended December 31, 2022 and 2021, as required by the office space lease agreement. The letter of credit expires September 30, 2028.

**NOTE 16 CONTINGENCIES**

The Council receives grants from the United States Department of State. Such grants are subject to audit under the provisions of *Title 2 U.S. Code of Federal Regulations (CFR) Part 200 Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. The ultimate determination of amounts received under the United States Government grants is based upon the allowance of costs reported to and accepted by the United States government as a result of the audits. Audits in accordance with the applicable provisions have been completed for all required fiscal years through 2019. Until such audits have been accepted by the United States government, there exists a contingency to refund any amount received in excess of allowable costs. Management is of the opinion that no material liability will result from such audits.

Additionally, in the ordinary course of activities, the Council is party to various legal and administrative actions. In the opinion of management, the potential adverse impact of these legal and administrative actions is insignificant to the financial statements of the Council.

**NOTE 17 PENSION PLAN**

The Council has a defined contribution pension plan (the Plan) for employees who meet eligibility requirements.

Contributions made by the Council range from 5% to 15% based on the employee's length of service. Total pension expense was \$1,244,972 and \$1,052,628 for the years ended December 31, 2022 and 2021, respectively.

The Council also has two deferred compensation plans under Section 457 of the IRC for senior level employees. The corresponding asset is included in investments and separately shown as another long-term liability in the accompanying statement of financial position. The investments consisted primarily of mutual funds. During 2022, the Council contributed \$188,862 to the plans. During 2021, the Council contributed 26,165 and had refunds of \$140,279 to the plan. The balance at December 31, 2022 and 2021, was \$350,184 and \$217,784, respectively.

**NOTE 18 SEVERANCE COMMITMENTS**

The Council has a severance policy, which provides severance pay for any full-time employee terminated without cause. The amount of severance pay is based on the employee's length of service and position in the Council. In addition, up to 30 days of accrued unused vacation leave will be paid to the terminated employee.

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**NOTE 19 LINE OF CREDIT**

The Council has a line of credit with Citibank, with a borrowing limit of \$4,000,000, as of December 31, 2022 and 2021, respectively. At December 31, 2022 and 2021, the interest rate on the line of credit was 4.358% and 3.055%, respectively. The available amount as of December 31, 2022 was \$3,805,517 less \$194,483 letter of credit (not cash secured). There was no outstanding balance on this line of credit at December 31, 2022 and 2021.

**NOTE 20 SUBSEQUENT EVENTS**

In accordance with generally accepted accounting principles, management has evaluated subsequent events involving the Council for potential recognition or disclosure in the accompany financial statements. Subsequent events are events or transactions which occurred after December 31, 2022 up through June 23, 2023, the date the financial statements were issued.

In January 2023, the Council entered into a new 12-year office lease agreement commencing on August 1, 2024. The agreement also provides for rent abatement and tenant improvement allowance.