Financial Report

Institute of the Americas

December 31, 2020

WEST RHODE & ROBERTS

Contents

WEST RHODE & ROBERTS

INDEPENDENT AUDITOR'S REPORT

Audit Committee
Institute of the Americas

We have audited the accompanying financial statements of Institute of the Americas (a nonprofit organization) which comprise the statement of financial position as of December 31, 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Institute of the Americas as of December 31, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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Report on Summarized Comparative Information

Other auditors have previously audited Institute of the Americas December 31, 2019 financial statements and expressed an unmodified opinion on those audited financial statements in their report dated May 11, 2020. The summarized comparative information presented herein as of and for the year ended December 31, 2019, audited by others, is consistent, in all material respects, with the audited financial statements from which it has been derived.

West Rhode & Roberts

WEST RHODE & ROBERTS

San Diego, California
May 7, 2021

INSTITUTE OF THE AMERICAS

STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2020
(With summarized financial information for December 31, 2019)

	2020	2019 (Note 15)
ASSETS		
Cash and cash equivalents	$ 159,478	$ 98,525
Accounts receivable	193,893	42,302
Prepaid expenses	6,340	321
Investments	11,744,425	11,139,767
Property and equipment, net	2,945,360	3,035,773
Total assets	$ 15,049,496	$ 14,316,688
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	$ 93,480	$ 116,525
Refundable advance	164,217	-
Deferred revenue	4,640	24,348
Capital lease payable	5,143	11,829
Total liabilities	267,480	152,702
Commitments (Note 13)		
Net assets:		
Without donor restrictions	5,197,623	5,557,394
With donor restrictions	9,584,393	8,606,592
Total net assets	14,782,016	14,163,986
Total liabilities and net assets	$ 15,049,496	$ 14,316,688

INSTITUTE OF THE AMERICAS

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2020
(With summarized financial information for the year ended December 31, 2019)

	Without donor restrictions	With donor restrictions	Total	2019 (Note 15)
Operating Activities:				
SUPPORT AND REVENUE				
Contributions and grants	105,267	290,000	395,267	5,102,590
Sponsorship and registration fees	171,864	-	171,864	524,825
Membership dues	245,000	-	245,000	245,000
Rent revenue	189,642	-	189,642	240,903
Net assets released from restriction	390,098	(390,098)	-	-
Total operating support and revenue	1,101,871	(100,098)	1,001,773	6,113,318
EXPENSES				
Program services				
Energy and Sustainability	502,973	-	502,973	723,765
Innovation and Life Sciences	74,546	-	74,546	80,678
STEAM	307,696	-	307,696	349,670
Total program services	885,215	-	885,215	1,154,113
Supporting services:				
Management	657,924	-	657,924	659,264
Fundraising	84,333	-	84,333	13,605
Total supporting services	742,257	-	742,257	672,869
Total expenses	1,627,472	-	1,627,472	1,826,982
Operating (deficit) excess	(525,601)	(100,098)	(625,699)	4,286,336
Non-Operating Activities:				
Investment income	112,239	106,364	218,603	155,582
Realized and unrealized gain	430,733	594,393	1,025,126	865,154
Total non-operating activities	542,972	700,757	1,243,729	1,020,736
CHANGE IN NET ASSETS BEFORE ENDOWMENT RECLASSIFICATION	17,371	600,659	618,030	5,307,072
Reclassification of endowment distributions (Note 10)	(377,142)	377,142	-	-
Change in net assets	(359,771)	977,801	618,030	5,307,072
NET ASSETS AT BEGINNING OF YEAR	5,557,394	8,606,592	14,163,986	8,856,914
NET ASSETS AT END OF YEAR	$ 5,197,623	$ 9,584,393	$ 14,782,016	$ 14,163,986

INSTITUTE OF THE AMERICAS

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2020
(With summarized financial information for the year ended December 31, 2019)

	Program Services				Supporting Services			
	Energy and Sustainability	Innovation and Life Science	STEAM	Total Program	Management and General	Fundraising	2020	2019 (Note 15)
Personnel								
Salaries and benefits	$ 387,082	$ 71,503	$ 243,016	$ 701,601	$ 320,755	$ 59,034	$ 1,081,390	$ 890,082
Supplies travel and phone	56,425	3,043	33,285	92,753	139,275	4,519	236,547	569,586
Services and professional fees	32,926	-	4,855	37,781	115,090	20,780	173,651	233,489
Depreciation	26,540	-	26,540	53,080	82,804	-	135,884	133,682
Interest	-	-	-	-	-	-	-	143
Total expenditures	$ 502,973	$ 74,546	$ 307,696	$ 885,215	$ 657,924	$ 84,333	$ 1,627,472	$ 1,826,982

INSTITUTE OF THE AMERICAS

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2020
(With summarized financial information for the year ended December 31, 2019)

	2020	2019 (Note 15)
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 618,030	$ 5,307,072
Adjustment to reconcile change in net assets to net cash from operating activities		
Depreciation and amortization	135,884	133,682
Net realized and unrealized gain on investments	(1,025,126)	(865,154)
Changes in operating assets and liabilities		
Accounts receivable	(151,591)	(18,774)
Prepaid expenses	(6,019)	1,179
Accounts payable and accrued expenses	(23,045)	29,678
Refundable Advance	164,217	-
Deferred revenue	(19,708)	(89,966)
Net cash (used in) provided by operating activities	(307,358)	4,497,717
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(45,471)	(107,142)
Net sale (purchases) of investments	1,039,916	(4,147,542)
Net cash provided by (used in) investing activities	994,445	(4,254,684)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on capital leases	(6,686)	(6,532)
Net cash used in financing activities	(6,686)	(6,532)
Change in cash and cash equivalents	680,401	236,501
Cash and cash equivalents at beginning of year	414,785	178,284
Cash and cash equivalents at end of year	$ 1,095,186	$ 414,785
CASH AND CASH EQUIVALENTS CONSIST OF:		
Cash and cash equivalents	$ 159,478	$ 98,525
Cash and cash equivalents included in investments	935,708	316,260
	$ 1,095,186	$ 414,785

Note 1. Organization and Significant Accounting Policies

Organization and Activities

Institute of the Americas (the "Institute") is a California non-profit public benefit corporation organized for charitable purposes and exempt from taxation under the Internal Revenue Code. The purpose of the Institute is to carry out programs to improve relations and promote understanding between the United States and the countries of Latin America, Canada, the Caribbean, as well as Central America, including, but not limited to social and economic aspects of such relations.

The Institute accomplishes its program objectives primarily through conferences, meetings, and events held in the United States, Canada, Latin America, the Caribbean and Central America.

Significant Accounting Policies

Method of Accounting – The accompanying financial statements have been prepared on the accrual basis of accounting and in accordance with accounting principles generally accepted in the United States of America.

Basis of Presentation –The financial statements of the Institute have been prepared in accordance with U.S. generally accepted accounting principles ("US GAAP"), which require the Institute to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Institute. These net assets may be used at the discretion of the Institute's management and the board of directors.

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

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

Measure of Operations – The statements of activities report all changes in net assets, including changes in net assets from operating and nonoperating activities. Operating activities consist of those items attributable to the Institute's ongoing programs. Nonoperating activities are limited to resources that generate return from long-term investments and other activities considered to be of a more unusual or nonrecurring nature.

Revenue Recognition – The Institute recognizes revenue in a manner that depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which the Institute expects to be entitled in exchange for those goods or services.

Contributions - Contributions are recognized as revenue when they are unconditionally pledged or when all conditions have been met.

The Institute reports contributions as restricted if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, revenues with donor restrictions are reclassified to revenues without donor restrictions and reported in the statement of activities as revenues released from restrictions. Contributions with donor restrictions requiring the principal gift to be held in perpetuity are reported as permanently restricted. The income earned from such assets is generally restricted to the purpose designated by the donor. Gifts not designated for a specific purpose are reported as increases in net assets without donor restrictions.

Contributions of service are recognized if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. The Institute reports such contributions at their estimated fair value when received.

Membership dues and sponsorships - are comprised of an exchange element based on the value of benefits provided, and a contribution element for the difference between the total dues paid and the exchange element. The exchange portion is immaterial to the financial statements and the entire membership or sponsorship is recognized as a contribution immediately. The Institute records special events revenue equal to the fair value of direct benefits to donors, and contribution income for the excess received when the event takes place.

Cash and Cash Equivalents – Cash and cash equivalents include cash in the bank and highly liquid investments.

Accounts receivable – Accounts receivables arise in the normal course of operations that are due to the Institute at the end of the year. The allowance for doubtful accounts is based on past experience and on an analysis of current receivable balances. Accounts are written off against the allowance for doubtful accounts when deemed uncollectible. As of December 31, 2020, management believes that no allowance is needed.

Investments – Investments are made in accordance with investment policies adopted by the Institute's Board. Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Investment income or loss (including interest and realized gains and losses) is included in unrestricted revenues unless restricted by donor or law. Donated investments are initially recorded at fair value at the date of the gift.

Furniture, Equipment and Depreciation Method – The Institute capitalizes property and equipment over $1,000. Lessor amounts are expensed. Furniture and equipment are recorded at cost, except for donated items, which are recorded at fair market value as of the date received. Depreciation is provided on the straight-line method over the estimated useful lives of the assets as follows:

Buildings	3 to 50 years
Furniture and equipment	3 to 7 years
Vehicle	5 years
Leasehold improvements	5 to 10 years

The Institute's depreciation expense was $135,884 for the year ended December 31, 2020.

Deferred revenue - Deferred revenue consists of payments received in advance for sublease rent as well as amounts received for sponsorships and registrations in advance of events. Such amounts are recorded as revenues when the related services are performed, or obligations are satisfied.

Refundable advance – In April 2020, the Institute received $164,217 under the Paycheck Protection Program (PPP). The PPP was established as part of the Coronavirus Aid, Relief and Economic Security Act (CARES Act). The loan is forgivable if it is used for qualifying expenses as described in the CARES Act. The Institute believes the PPP loan qualifies for forgiveness and has elected to account for the PPP loan under FASB ASC 958-605. Under this model, the Institute has recorded a refundable advance and will record revenue when the PPP loan is forgiven.

Functional Allocation of Expenses – The statement of functional expenses presents expense by function and natural classification. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. Information technology salaries are booked directly by hours worked indicated on the employee's hourly time sheets submitted for payroll processing. All other salaries are allocated based on a two-month time allocation that was performed in 2020. Depreciation expense is allocated based on office space square footage.

Income Tax Status – Institute of the Americas, a California not-for-profit corporation, is exempt from income taxes under Section 501(c) (3) of the Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code. The Financial Accounting Standards Board (FASB) issued Accounting Standards Codification No. 740-10, Accounting for Uncertainties in Income Taxes, which sets a minimum threshold for financial statement recognition of the benefit of a tax position taken or expected to be taken in a tax return. Tax positions for the open tax years as of December 31, 2020, were reviewed, and it was determined that the Institute has no uncertain tax positions requiring accrual or disclosure.

Use of Estimates – The preparation of financial statements, in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Recently Adopted Accounting Standards – In November 2016, the FASB issued ASU 2016-18, Statement of Cash Flows (ASU 2016-18). This update requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows.

In June 2018, the FASB issued ASU 2018-08, Not-for-profit Entities, Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made, this update clarifies and improves the scope and the accounting guidance for contributions received and contributions made. The update assists in determining if transactions should be accounted for as exchange transaction or a contribution and determining if a contribution is conditional.

Subsequent Events - Subsequent events are events or transactions that occur after the statement of financial position date but before financial statements are available to be issued. The Institute recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at that date, including the estimates inherent in the process of preparing financial statements. The Institute's financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the statement of financial position, but arose after that date and before the financial statements are available to be issued.

The Institute has evaluated subsequent events through April XX, 2021, which is the date the financial statements are available for issuance, and concluded that and concluded that the below events needs disclosed.

> On February 8th, 2021, the Institute's application for paycheck protection program loan forgiveness was approved by the Small Business Administration.
>
> On February 11, 2021, the Institute received approval and payment for its second Paycheck Protection Program loan from the Small Business Administration for an amount of $195,091.

Apart from the above events, there are no other events or transactions that needed to be disclosed as May 7, 2021.

Note 2. Liquidity and Availability of Resources

The Institute's financial assets available for expenditure, that is without donor restrictions limiting their use within year of the statement of financial position date, are as follows:

Financial Assets		
Cash and cash equivalents	$	159,478
Accounts receivable		193,893
Investments		11,744,425
Total financial assets available within one year		12,097,796
Less: amounts unavailable for general expenditures within one year, due to:		
Restricted by donors with purpose restrictions		290,000
Restricted by donors in perpetuity		6,833,721
Total amounts unavailable for general expenditure within one year		7,123,721
Less: amounts unavailable to management without Board approval:		
Board designated quasi-endowment		4,833,142
Total financial assets available to management for general expenditure within one year	$	140,933

The Institute maintains policies of structuring its financial assets to be available as its general expenditures, liabilities and other obligations come due.

Note 3. Risks and Uncertainties

Cash and cash equivalents – The Institute maintains cash and cash equivalents in bank accounts which, at times, exceed federally insured deposit limits. The Institute has not experienced any losses in such accounts, and believes it is not exposed to any significant credit risk on its cash and cash equivalents.

Investments – The Institute invests in various types of investment securities which are exposed to various risks such as interest rate, market, and credit risks. It is at least reasonably possible given the level of risk associated with investments that changes in the near term could materially affect the amounts reported in the financial statements. Consequently, the fair value of the Institute's investments is exposed to price volatility, which could result in a substantial reduction in the fair value of certain investments from the amounts reported at December 31, 2020.

In 2020, the COVID-19 virus was declared a global pandemic. Business continuity, including supply chains and consumer demand across a broad range of industries and countries could be severely impacted for months or beyond as governments and their citizens take significant and unprecedented measures to mitigate the consequences of the pandemic. The ultimate disruption which may be caused by the pandemic is uncertain; however, while as of this date, it has not resulted in a material adverse impact on the Institute's financial position, operations, and cash flows, such disruptions or restrictions may occur in the future. Possible effects may include but are not limited to disruptions or restrictions on our employee's ability to work, decline in value of assets held, including property and equipment and marketable securities and changes to the current regulatory environment. Management is actively working to mitigate the impact of these and other unforeseen potential disruptions to our operations.

Note 4. Fair Value Measurements

Due to the short-term nature of the Institute's assets and liabilities, fair value approximates carrying value. In accordance with Financial Accounting Standards Board Codification No. 820 (FASB ASC 820), fair value is defined as the price that the Institute would receive upon selling an asset or transferring a liability in an orderly transaction to an independent buyer in the principal or most advantageous market of the asset.

FASB ASC 820 establishes a three-tier hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs and to establish the classification of fair value measurements for disclosure purposes. Inputs refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available. The standard describes three-tier hierarchy of inputs that may be used to measure fair value as follows:

Level 1: Quoted prices (unadjusted) of identical assets or liabilities in active markets that the Institute has the ability to access as of the measurement date.

Level 2: Significant other observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, and other inputs that are observable or can be corroborated by observable market data.

Level 3: Significant unobservable inputs that reflect the Institute's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

The Institute's statement of financial position includes investments which have been considered Level I assets and are reported at fair value based on quoted prices in active markets for identical assets at the measurement date.

The fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is best determined based upon quoted market prices. All of the Institute's investments are based upon the quoted market prices at December 31, 2020.

The management of the Institute is responsible for making the fair value measurements and disclosures in the financial statements. As part of fulfilling this responsibility, the management of the Institute has established an accounting and financial reporting process for determining the fair value measurements and disclosures, which identifies and adequately supports the valuation methods and assumptions used and ensures that the presentation of the fair value measurement is in accordance with U.S GAAP.

Note 5. Investments

Investments at December 31, 2020, stated at fair value, consist of the following:

Bonds	$ 7,735,200
Equities	3,073,517
Cash and cash equivalents	935,708
	$ 11,744,425

Investment income at December 31, 2020 is made up of $236,956 in interest and dividends, $1,025,126 in realized and unrealized losses and $18,353 in investment fees.

Note 6. Property and Equipment

Property and equipment, as of December 31, 2020 is summarized as follows:

Leasehold interest	$ 5,975,233
Equipment	348,429
Furniture and fixtures	240,486
Leasehold improvements	205,237
	6,769,385
Less accumulated depreciation	(3,824,025)
	$ 2,945,360

Note 7. Net Assets without Donor Restrictions

Net assets without donor restrictions is comprised of undesignated and board designated amounts for the following purposes at December 31, 2020. Amounts designated by the board are quasi-endowment funds held for the purposes of long-term investments.

Board designated quasi endowment	$ 4,833,142
Undesignated	364,481
	$ 5,197,623

Note 8. Net Assets With Donor Restrictions

Net assets with donor restrictions represent contributions and other inflows received by the Institute, which are limited in their use by the donor-imposed stipulations.

Pursuant to an agreement entered into in 1983, as amended in 1993 and 2002, with the Regents of the University of California, a California constitutional corporation and the Gildred Foundation, the Institute constructed the structures referred to in the agreement as Phases I, II and III on land owned by the University of California, San Diego ("UCSD") and conveyed to UCSD. In exchange for the structures, the Institute received, subject to the terms of the agreement, a leasehold interest, including facilities maintenance, until August 2044 for the portion of the structures known as Phase I and Phase II and until April 2052 for Phase III. Phase III of the leasehold interest is sublet to UCSD. The value of the leasehold interest is released from restrictions over the life of the lease.

Net assets with donor restrictions at December 31, 2020 are available for the following purposes or periods:

Subject to expenditure for specified purpose	
Baja energy access	$ 150,000
Blue carbon project	140,000
	290,000
Subject to passage of time	
Leasehold interest	$ 2,460,672
	2,750,672

Donor restricted fund held in perpetuity subject to spending policy and appropriation at December 31, 2020 is as follows:

	Donor Restrictions to be maintained in perpetuity	Unappropriated income on endowment funds available to support	Total
Carlos Malamud Endowment	$ 70,000	$ 42,803	$ 112,803
General endowment	4,170,390	2,550,528	6,720,918
	$ 4,240,390	$ 2,593,331	$ 6,833,721

Total net assets with donor restrictions at December 31, 2020 is $9,584,393.

Note 9. Net Assets Released from Restrictions

Net assets are released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors. Net assets released from restrictions consist of the following at December 31, 2020:

Amortization of lease interest	$ 85,588
Appropriation of endowment assets for expenditure	304,510
	$ 390,098

Note 10. Endowments

In 1993, the Institute entered into an agreement with The Gildred Foundation whereby the Gildred Foundation established an endowment of approximately $4.1 million for the Institute. Income from the endowment is available for the use of the Institute at the discretion of the Institute's Board of Directors.

In 2013, a donor contributed $70,000 to be invested in the endowment in perpetuity. The income from the $70,000 is to be used to fund scholarship for poor children to attend Institute programs. Scholarships were not awarded during the years ended December 31, 2020.

Interpretation of Relevant Law - The Board of the Institute has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds while supporting the operations of the Institute through a set spending rate. As a result of this interpretation, the Institute retains in perpetuity (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulation to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not retained in perpetuity is subject to appropriation for expenditure by the Institute in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Institute considers the following factors in deciding to appropriate or accumulate donor-restricted endowment funds:

1) The duration and preservation of the fund
2) The purposes of the Institute and the donor-restricted endowment fund
3) General economic conditions
4) The possible effect of inflation and deflation
5) The expected total return from income and the appreciation of investments
6) Other resources of the Institute
7) The investment policies of the Institute

Endowment Investment and Spending Policies - The Board adopted an Endowment Policy (spending policy) upon recommendation of the Endowment and Finance Committee. The policy allows for withdrawals from the endowment for use in operations upon approval by the Committee. Except under extraordinary circumstances, approval withdrawals should be between 3% and 5% of income and net appreciation generated by the endowment per year. Board approved withdrawals are reclassified from net assets with donor restrictions to net assets without donor restrictions in the period that they are withdrawn for use.

In order to achieve the Institute's long-term investment objective, the portfolio will be administered with a moderate level of risk, accepting some volatility in principal while attempting to grow the portfolio over time. The Institute's Investment Policy provides asset managers with a target allocation for the portfolio that approximates 65% invested in equity securities, 25% in bonds/fixed income, and 10% in alternatives allowing a 30% variance in either direction. At a minimum, an annual rebalancing will be administered to bring the portfolio back in line with the asset allocation model.

Funds with Deficiencies – From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Institute to retain as a fund of perpetual duration. The Institute maintains records of the sum of (a) the original value of gifts donated to its permanent endowment, (b) the original value of subsequent gifts to such permanent endowment, and (c) the value of accumulations to such permanent endowment funds made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. As of December 31, 2020, the Institute did not have any funds with deficiencies.

Board Designated Quasi-Endowment and Donor Restricted Endowment net asset composition as of December 31, 2020, is as follows:

Board Designated Endowments	
Board designated quasi-endowment	$ 4,833,142
Donor Restricted Endowments	
Carlos Malamud Endowment	112,803
General endowment	6,720,918
	6,833,721
	$ 11,666,863

Changes in Board designated quasi-endowment and donor restricted endowment funds during the year ended December 31, 2020 are summarized in the following table:

	Without donor restrictions	With donor restrictions	Total
Endowment net assets, beginning of year	$ 5,006,861	$ 6,060,332	$ 11,067,193
Reclassification of prior year distribution	(377,142)	377,142	-
Investment return:			
Investment income, net	76,486	106,364	182,850
Net appreciation (realized and unrealized)	427,427	594,393	1,021,820
Total investment return	503,913	700,757	1,204,670
Appropriation of endowment assets for expenditure	(300,490)	(304,510)	(605,000)
Endowment net assets, end of year	$ 4,833,142	$ 6,833,721	$ 11,666,863

During the year ended December 31, 2020 the Institute made a reclassification of $377,142 distributed from the donor restricted endowment to the Board designated quasi-endowment to reflect appropriation of assets for expenditure in accordance with the Institute's endowment spending policy.

Note 11. Employee Benefit Plans

Tax Deferred Annuity Plan - The Institute maintains a tax deferred annuity plan that is available to all of its employees. The employees fund contributions to the plan.

403(b) Thrift Plan - The Institute has a 403(b) Thrift Plan ("the Plan"). All personnel who have completed at least one year of service and have attained the age of 21 are eligible to participate in the Plan. The Institute contributes, at its discretion, an amount equal to 5% of each employee's base salary to the Plan. Contributions made by the Institute were approximately $31,000 as of December 31, 2020. This Plan requires all new full-time employees to make a 1% contribution to the Plan; however, an employee may opt out of the plan within 30 days.

Note 12. Capital Lease Obligations

The Institute leases certain equipment under non-cancelable capital leases and includes the following at December 31, 2020:

Copier	$	32,865
Less accumulated depreciation		(27,722)
	$	5,143

Depreciation expense related to these capitalized leases was approximately $6,855 for the year ended December 31, 2020.

Future minimum lease payment on the capital lease includes $5,143 as of December 31, 2020.

Note 13. Commitments and Contingencies

Grant awards - The Institute regularly receives grants conditional upon performance of certain grantor stipulated activities. If the Institute does not comply with the grantor's stipulations, grant funds much be returned to the grantor. The Institute believes it has satisfied all grantor conditions related to grant revenue recognized in 2020.

Note 14. Sublease

The Institute sublet approximately 4,200 square feet of its leasehold interest to UCSD under non-cancelable lease ending April 30, 2022. Lease revenue for the year ended December 31, 2020 was $189,642.

The Institute also had a sublease agreement with UCSD for 1,101 square feet that was cancellable starting after April 30, 2020 with a 120-day prior written notice. The Institute terminated this sub lease on December 15, 2020.

Future minimum sublease payments under the above operating lease as of December 31, 2020 are as follows:

Years Ending December 31		
2021	$	141,088
2022		47,339
	$	188,427

Note 15. December 31, 2019 Financial Information

The financial statements include certain prior year summarized comparative information in total, but not by net asset class. The prior year financial statements were audited by other auditors. 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 Institute's financial statements for the year ended December 31, 2019, from which the summarized information was derived.

Certain prior-year amounts have been reclassified to conform to the current year's financial statement presentation. These reclassifications had no effect on the changes in net assets.