Financial Report

Institute of the Americas

December 31, 2022

WEST RHODE & ROBERTS

Contents

WEST RHODE & ROBERTS

INDEPENDENT AUDITOR'S REPORT

Audit Committee
Institute of the Americas

Opinion

We have audited the accompanying financial statements of Institute of the Americas (the Institute) which comprise the statement of financial position as of December 31, 2022, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Institute of the Americas, as of December 31, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Institute 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.

Responsibilities of Management 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.

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

Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Institute'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 Institute'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.

Report on Summarized Comparative Information

We have previously audited the Institute's 2021 financial statements and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 26, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2021, 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 3, 2023

INSTITUTE OF THE AMERICAS

STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2022
(With summarized financial information for December 31, 2021)

	2022	2021 (Note 13)
ASSETS		
Cash and cash equivalents	$ 71,339	$ 127,935
Accounts receivable	53,786	17,828
Prepaid expenses	2,361	5,299
Investments	11,091,192	12,955,534
Right-of-use asset	1,080,249	1,137,678
Property and equipment, net	1,656,509	1,727,250
Total assets	$ 13,955,436	$ 15,971,524
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	$ 100,127	$ 108,197
Deferred revenue	4,640	4,640
Capital lease payable	15,002	18,822
Total liabilities	119,769	131,659
Commitments (Note 12)		
Net assets:		
Without donor restrictions	5,137,326	6,021,913
With donor restrictions	8,698,341	9,817,952
Total net assets	13,835,667	15,839,865
Total liabilities and net assets	$ 13,955,436	$ 15,971,524

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2022
(With summarized financial information for the year ended December 31, 2021)

	Without donor restrictions	With donor restrictions	Total	2021 (Note 13)
Operating Activities:				
SUPPORT AND REVENUE				
Contributions and grants	241,406	492,466	733,872	709,232
Sponsorship and registration fees	248,550	-	248,550	98,787
Membership dues	150,436	-	150,436	165,000
Rent revenue	205,720	-	205,720	141,582
Net assets released from restriction	850,911	(850,911)	-	-
Total operating support and revenue	1,697,023	(358,445)	1,338,578	1,114,601
EXPENSES				
Program services				
Energy and Sustainability	427,095	-	427,095	520,764
Environment and Climate Program	617,931	-	617,931	309,251
STEAM	17,522	-	17,522	298,026
Public programs	370,535	-	370,535	117,629
Total program services	1,433,083	-	1,433,083	1,245,670
Supporting services:				
Management	559,835	-	559,835	476,807
Fundraising	50,929	-	50,929	80,477
Total supporting services	610,764	-	610,764	557,284
Total expenses	2,043,847	-	2,043,847	1,802,954
Operating deficit	(346,824)	(358,445)	(705,269)	(688,353)
Non-Operating Activities:				
Investment income, net	89,146	126,181	215,327	223,714
Realized and unrealized loss (gain)	(626,909)	(887,347)	(1,514,256)	1,522,488
Total non-operating activities	(537,763)	(761,166)	(1,298,929)	1,746,202
Change in net assets	(884,587)	(1,119,611)	(2,004,198)	1,057,849
NET ASSETS AT BEGINNING OF YEAR	6,021,913	9,817,952	15,839,865	14,782,016
NET ASSETS AT END OF YEAR	$ 5,137,326	$ 8,698,341	$ 13,835,667	$ 15,839,865

INSTITUTE OF THE AMERICAS

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2022
(With summarized financial information for the year ended December 31, 2021)

	Program Services					Supporting Services			
	Energy and Sustainability	Environment & Climate Program	STEAM	Public Programs	Total Program	Management and General	Fundraising	2022	2021 (Note 13)
Salaries and benefits	$ 238,424	$ 332,433	$ 13,211	$ 225,354	$ 809,422	$ 271,555	$ 40,645	$ 1,121,622	$ 1,183,415
Travel, office and meetings	110,721	111,664	-	80,554	302,939	143,224	9,564	455,727	301,300
Services and professional fees	55,454	128,842	-	42,131	226,427	104,644	720	331,791	183,978
Depreciation	22,496	44,992	4,311	22,496	94,295	40,412	-	134,707	134,261
Total expenditures	$ 427,095	$ 617,931	$ 17,522	$ 370,535	$ 1,433,083	$ 559,835	$ 50,929	$ 2,043,847	$ 1,802,954

INSTITUTE OF THE AMERICAS

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2022
(With summarized financial information for the year ended December 31, 2021)

	2022	2021 (Note 13)
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ (2,004,198)	$ 1,057,849
Adjustment to reconcile change in net assets to net cash from operating activities		
Depreciation	77,278	78,903
Right-of-use asset amortization	57,429	55,358
Net realized and unrealized loss (gain) on investments	1,514,256	(1,522,488)
Changes in operating assets and liabilities		
Accounts receivable	(35,958)	176,065
Prepaid expenses	2,938	1,041
Accounts payable and accrued expenses	(8,070)	14,717
Refundable Advance	-	(164,217)
Net cash used in operating activities	(396,325)	(302,772)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(6,537)	(33,125)
Net sale (purchases) of investments	617,849	(435,782)
Net cash provided by (used in) investing activities	611,312	(468,907)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on capital lease	(3,820)	(7,025)
Net cash used in financing activities	(3,820)	(7,025)
Change in cash and cash equivalents	211,167	(778,704)
Cash and cash equivalents at beginning of year	316,482	1,095,186
Cash and cash equivalents at end of year	$ 527,649	$ 316,482
CASH AND CASH EQUIVALENTS CONSIST OF:		
Cash and cash equivalents	$ 71,339	$ 127,935
Cash and cash equivalents included in investments	456,310	188,547
	$ 527,649	$ 316,482
SUPPLEMENTAL CASH FLOW INFORMATION		
Equipment purchased through capital lease	$ -	$ 20,704

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 - 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 is recognized as a contribution immediately.

Sponsorships – The Institute receives sponsorships from various organizations and individuals to support their programs and events that are held throughout the year. Revenue is recognized after the event is held and advance received from sponsors are recorded as deferred revenues till the event date.

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, 2022, 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 the change in net assets in the accompanying statement of activities.

Leases – Under ASC 842, the Institute determines if an arrangement is or contains a lease at inception. Leases are included in right-of-use (ROU) assets and lease liabilities on the balance sheet. ROU assets represent the right to control the use of an identified asset for the lease term and lease liabilities represent the obligation to make lease payments arising from the lease. ROU assets and liabilities are recognized at the commencement date based on the present value of the future minimum lease payments over the lease term. Operating lease expense is recognized on a straight-line basis over the lease term. The Institute does not report ROU assets and leases liabilities for its short-term leases (leases with a term of 12 months or less).

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 $77,278 for the year ended December 31, 2022.

Deferred revenue - Deferred revenue consists of sponsorships and registration fees received in advance.

Sublease - The Institute sublet approximately 4,200 square feet of its leasehold interest to UCSD under a month-to-month lease agreement. Lease revenue for the year ended December 31, 2022, was $205,720.

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. The President's salary allocation was calculated by his estimation of the percentage of time he spent on programming activities. 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, 2022, 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 February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842) that requires a lessee to recognize on the statement of financial position, a liability to make lease payments and a right-of-use asset representing its right to use the underlying asset for the lease term, regardless of classification of a lease as an operating or finance lease. The Institute adopted ASU 2016-02 on January 1, 2022, using the modified retroactive approach for operating leases with a term greater than 12 months. The Institute also elected the package of practical expedients permitted under the new standard that allowed the Institute to carry forward historical lease classification for existing leases on the adoption date, and allowed the Institute not to assess whether an existing contract contains a lease or initial direct costs. As permitted by the guidance, prior comparative periods will not be adjusted under this method. The adoption of this standard did not have a material impact on the financial statements.

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 May 3, 2023, which is the date the financial statements are available for issuance, and concluded that and concluded that there are no events or transactions that needed to be disclosed.

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	$ 71,339
Accounts receivable	53,786
Investments	11,091,192
Total financial assets available within one year	11,216,317
Less: amounts unavailable for general expenditures within one year, due to:	
Restricted by donors with purpose restrictions	264,145
Restricted by donors in perpetuity	6,144,698
Total amounts unavailable for general expenditure within one year	6,408,843
Less: amounts unavailable to management without Board approval:	
Board designated quasi-endowment	4,520,418
Total financial assets available to management for general expenditure within one year	$ 287,056

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

Concentration of credit risk – 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.

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, 2022.

Covid-19 risks - In 2020, the COVID-19 virus was declared a global pandemic. The Institute has implemented extensive measures to protect the health and safety of its employees and members and continues to adapt day to day operations and processes to safely carry out its mission. The Institute continues to monitor and assess the implications to its business and take necessary actions to mitigate potential adverse consequences.

Note 4. Investments and Fair Value Measurements

Fair value is defined as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Institute uses a fair value hierarchy that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that observable inputs be used when available.

The hierarchy for fair value measurement are described as follows:

Level 1 - quoted prices for identical assets or liabilities in active markets as of the reporting date. Active markets are those in which transactions for the asset or liability occur in sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 - observable market-based inputs or unobservable inputs that are corroborated by market data. May include quoted prices in a market that is not active.

Level 3 - unobservable inputs that cannot be corroborated by market data. These inputs reflect management's best estimate of fair value using its own assumptions about the assumptions a market participant would use in pricing the asset or liability.

The following are descriptions of the valuation inputs and techniques that the Institute utilizes to determine fair value for each major category of assets and liabilities.

Due to the short-term nature of cash equivalents, other assets, accounts payable and accrued expenses, carrying value approximates fair value.

The Institute’s statement of financial position includes investments in publicly traded mutual funds that have been considered Level 1 assets and are reported at fair value based on quoted prices in active markets for identical assets at the measurement date.

The following table summarizes the Institute's investments by type, including placement in the fair value hierarchy of assets and liabilities that are measured at fair value on a recurring basis:

	Fair Value Measurements at December 31, 2022, Using:			
	(Level 1)	(Level 2)	(Level 3)	Total
Assets:				
Cash and cash equivalents	$ 456,310	$ -	$ -	$ 456,310
Bonds	2,561,719	-	-	2,561,719
Equities	8,073,163	-	-	8,073,163
Total	$ 11,091,192	$ -	$ -	$ 11,091,192

The management of the Institute is responsible for making 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.

Investment income at December 31, 2022, is made up of $254,555 in interest and dividends, $1,514,256 in realized and unrealized losses and $39,228 in investment fees.

Note 5. Leases

The Institute evaluated current contracts to determine which met the criteria of a lease under ASU 2016-02 (Topic 842). Right-of-use (ROU) assets represent the Institute's right to use underlying assets for the lease term, and the lease liabilities represent the Institute's obligation to make lease payments arising from these leases. ROU assets and lease liabilities, all of which arise from operating leases, were calculated based on the present value of future lease payments over the lease term. The Institute has made an accounting policy election to use a nominal rate to discount future lease payments. The US treasury rate applied to calculate lease liabilities was 1%.

Leasehold interest - 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. Since the amount of the leasehold interest is paid in full, no lease liability is recorded on the statement of financial position at December 31, 2022.

Other leases - The Institute also leases equipment under non-cancellable agreements expiring in 2026. Under this agreement, the Institute is required to pay a base monthly rent of $305. For the year ended December 31, 2022, total operating lease cost on the equipment lease was $3,820 and is included with services and professional fees on the statement of functional expenses.

Right-of-use assets consists of the following at December 31, 2022:

Right-of-Use asset	$ 3,531,832
Less: accumulated amortization	(2,451,583)
	$ 1,080,249

Future minimum lease payment on the equipment lease as of December 31, 2022, is as follows:

Years Ending December 31	
2023	$ 3,824
2024	3,855
2025	3,890
2026	3,433
	$ 15,002

Note 6. Property and Equipment

Property and equipment, as of December 31, 2022, is summarized as follows:

Leasehold interest	$ 2,464,105
Furniture and fixtures	218,548
Leasehold improvements	210,912
Equipment	152,082
	3,045,647
Less accumulated depreciation	(1,389,138)
	$ 1,656,509

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, 2022. Amounts designated by the board are quasi-endowment funds held for the purposes of long-term investments.

Board designated quasi endowment	$ 4,520,418
Undesignated	614,406
	$ 5,134,824

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.

Net assets with donor restrictions at December 31, 2022, are available for the following purposes or periods:

Subject to expenditure for specified purpose		
Environment and climate change	$	222,773
Energy and sustainability		41,372
Subject to passage of time		
Leasehold interest		2,289,498
	$	2,553,643

Donor restricted fund held in perpetuity subject to spending policy and appropriation at December 31, 2022, is as follows:

	Donor Restrictions to be maintained in perpetuity	Unappropriated income on endowment funds available to support	Total
Carlos Malamud Endowment	$ 70,000	$ 31,388	$ 101,388
General endowment	3,492,782	2,550,528	6,043,310
	$ 3,562,782	$ 2,581,916	$ 6,144,698

Total net assets with donor restrictions at December 31, 2022, is $8,698,341.

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, 2022:

Appropriation of endowment assets for expenditure	$	352,295
Environment and climate		287,468
Amortization of lease interest		85,587
Economic competitiveness		79,392
Energy and sustainability		26,169
Public programs		20,000
	$	850,911

Note 10. Endowments

Interpretation of Relevant Law - The Institute's Board 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 for donor-restricted endowment funds, while allowing for support of the Institute's operations through a set spending rate. Based on this interpretation, the Institute maintains in perpetuity: (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the endowment made per the direction of the applicable donor gift instrument when the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund not retained in perpetuity is subject to appropriation for expenditure by the Institute, in accordance with the standard of prudence prescribed by UPMIFA. The Institute takes into account the following factors when 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, upon recommendation from the Endowment and Finance Committee, adopted an Endowment Policy (spending policy). This policy permits withdrawals from the endowment for use in operations upon the Committee's approval. Except under extraordinary circumstances, approved withdrawals should range between 3% and 5% of the endowment's asset value, and annual withdrawals should never exceed 7%. Board-approved withdrawals are reclassified from net assets with donor restrictions to net assets without donor restrictions in the period they are withdrawn for use.
To achieve the Institute's long-term investment objectives, the portfolio will be managed with a moderate level of risk, accepting some volatility in principal while aiming for portfolio growth 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 for a 30% variance in either direction. At a minimum, an annual rebalancing will be conducted to align the portfolio with the asset allocation model.

Funds with Deficiencies – Occasionally, 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 (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, 2022, the Institute did not have any funds with deficiencies.

Board Designated Quasi-Endowment and Donor Restricted Endowment net asset composition as of December 31, 2022, is as follows:

Board Designated Endowments	
Board designated quasi-endowment	$ 4,520,418
Donor Restricted Endowments	
Carlos Malamud Endowment	101,388
General endowment	6,043,310
	6,144,698
	$ 10,665,116

Board-Designated Quasi-Endowment - The Institute's Board of Directors has set aside funds in a board-designated quasi-endowment to support the long-term financial stability and sustainability of the Institute. This quasi-endowment functions similarly to donor-restricted endowments but without the donor-imposed restrictions. The principal of the quasi-endowment is preserved, and only the investment income generated can be spent, as determined by the Board of Directors. The Board has the authority to modify the terms of the quasi-endowment or release the funds from the endowment status if necessary to fulfill the Institute's mission or address financial needs.

General Endowment - In 1993, the Institute entered into an agreement with The Gildred Foundation, which established a general endowment with an initial contribution of $4.1 million. Income generated from the endowment is available for use by the Institute at the discretion of the Institute's Board of Directors. This endowment supports the ongoing operations and mission of the Institute while preserving the principal amount for long-term financial stability.

Carlos Malamud Endowment - In 2013, a donor contributed $70,000 to establish the Carlos Malamud Endowment, which is intended to be maintained in perpetuity. The income generated from this endowment is specifically designated to fund scholarships for underprivileged students to attend Institute programs with a special emphasis of students attending the University of California, San Diego . During the year ended December 31, 2022, no distributions were made.

Changes in Board designated quasi-endowment and donor restricted endowment funds during the year ended December 31, 2022, are summarized in the following table:

	Without donor restrictions	With donor restrictions	Total
Endowment net assets, beginning of year	$ 5,127,886	$ 7,258,159	$ 12,386,045
Investment return:			
Investment income, net	89,146	126,181	215,327
Net depreciation (realized and unrealized)	(626,909)	(887,347)	(1,514,256)
Total investment return	(537,763)	(761,166)	(1,298,929)
Appropriation of endowment assets for expenditure	(69,705)	(352,295)	(422,000)
Endowment net assets, end of year	$ 4,520,418	$ 6,144,698	$ 10,665,116

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) Retirement Plan - The Institute has a 403(b)retirement 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 $66,000 as of December 31, 2022. 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. 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 2022.

Note 13. December 31, 2021, Financial Information

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 Institute's financial statements for the year ended December 31, 2021, from which the summarized information was derived. Certain reclassifications have been made to the summarized 2021 financial information to conform to the classifications adopted for the 2022 financial statements. This reclassification had no effect on the change in net assets.