Financial Report

Institute of the Americas

December 31, 2021

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, 2021, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Institute of the Americas, as of December 31, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the 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 2020 financial statements and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 7, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020 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
April 26, 2022

INSTITUTE OF THE AMERICAS

STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2021
(With summarized financial information for December 31, 2020)

	2021	2020 (Note 15)
ASSETS		
Cash and cash equivalents	$ 127,935	$ 159,478
Accounts receivable	17,828	193,893
Prepaid expenses	5,299	6,340
Investments	12,955,534	11,744,425
Property and equipment, net	2,864,928	2,945,360
Total assets	$ 15,971,524	$ 15,049,496
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	$ 108,197	$ 93,480
Refundable advance	-	164,217
Deferred revenue	4,640	4,640
Capital lease payable	18,822	5,143
Total liabilities	131,659	267,480
Commitments (Note 13)		
Net assets:		
Without donor restrictions	6,021,913	5,197,623
With donor restrictions	9,817,952	9,584,393
Total net assets	15,839,865	14,782,016
Total liabilities and net assets	$ 15,971,524	$ 15,049,496

INSTITUTE OF THE AMERICAS

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2021
(With summarized financial information for the year ended December 31, 2020)

	Without donor restrictions	With donor restrictions	Total	2020 (Note 15)
Operating Activities:				
SUPPORT AND REVENUE				
Contributions and grants	500,911	208,321	709,232	395,267
Sponsorship and registration fees	98,787	-	98,787	171,864
Membership dues	165,000	-	165,000	245,000
Rent revenue	141,582	-	141,582	189,642
Net assets released from restriction	996,395	(996,395)	-	-
Total operating support and revenue	1,902,675	(788,074)	1,114,601	1,001,773
EXPENSES				
Program services				
Energy and Sustainability	520,764	-	520,764	502,973
Environment and Climate Program	426,880	-	426,880	74,546
STEAM	298,026	-	298,026	307,696
Total program services	1,245,670	-	1,245,670	885,215
Supporting services:				
Management	476,807	-	476,807	639,571
Fundraising	80,477	-	80,477	84,333
Total supporting services	557,284	-	557,284	723,904
Total expenses	1,802,954	-	1,802,954	1,609,119
Operating deficit	99,721	(788,074)	(688,353)	(607,346)
Non-Operating Activities:				
Investment income, net	94,966	128,748	223,714	200,250
Realized and unrealized gain	629,603	892,885	1,522,488	1,025,126
Total non-operating activities	724,569	1,021,633	1,746,202	1,225,376
Change in net assets	824,290	233,559	1,057,849	618,030
NET ASSETS AT BEGINNING OF YEAR	5,197,623	9,584,393	14,782,016	14,163,986
NET ASSETS AT END OF YEAR	$ 6,021,913	$ 9,817,952	$ 15,839,865	$ 14,782,016

INSTITUTE OF THE AMERICAS

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2021
(With summarized financial information for the year ended December 31, 2020)

	Program Services				Supporting Services			
	Energy and Sustainability	Environment & Climate Program	STEAM	Total Program	Management and General	Fundraising	2021	2020 (Note 15)
Salaries and benefits	$ 340,679	$ 296,188	$ 248,064	$ 884,931	$ 248,307	$ 50,177	$ 1,183,415	$ 1,081,390
Travel, office and meetings	43,867	77,058	23,810	144,735	132,135	24,430	301,300	218,194
Services and professional fees	115,680	26,250	5,614	147,544	30,564	5,870	183,978	173,651
Depreciation	20,538	27,384	20,538	68,460	65,801	-	134,261	135,884
Total expenditures	$ 520,764	$ 426,880	$ 298,026	$ 1,245,670	$ 476,807	$ 80,477	$ 1,802,954	$ 1,609,119

INSTITUTE OF THE AMERICAS

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2021
(With summarized financial information for the year ended December 31, 2020)

	2021	2020 (Note 15)
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 1,057,849	$ 618,030
Adjustment to reconcile change in net assets to net cash from operating activities		
Depreciation	134,261	135,884
Net realized and unrealized gain on investments	(1,522,488)	(1,025,126)
Changes in operating assets and liabilities		
Accounts receivable	176,065	(151,591)
Prepaid expenses	1,041	(6,019)
Accounts payable and accrued expenses	14,717	(23,045)
Refundable Advance	(164,217)	164,217
Deferred revenue	-	(19,708)
Net cash used in operating activities	(302,772)	(307,358)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(33,125)	(45,471)
Net (purchases) sale of investments	(435,782)	1,039,916
Net cash (used in) provided by investing activities	(468,907)	994,445
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on capital lease	(7,025)	(6,686)
Net cash used in financing activities	(7,025)	(6,686)
Change in cash and cash equivalents	(778,704)	680,401
Cash and cash equivalents at beginning of year	1,095,186	414,785
Cash and cash equivalents at end of year	$ 316,482	$ 1,095,186
CASH AND CASH EQUIVALENTS CONSIST OF:		
Cash and cash equivalents	$ 127,935	$ 159,478
Cash and cash equivalents included in investments	188,547	935,708
	$ 316,482	$ 1,095,186
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, 2021, 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.

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 $134,261 for the year ended December 31, 2021.

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

Deferred rent – The Institute records sublease rent on a straight-line basis. The difference between rent payments received under the lease are reflected as deferred rent.

Refundable advance – The Institute received a total of $359,308 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 qualified for and received forgiveness of the PPP loans in 2021. The Institute has elected to account for the PPP loan under FASB ASC 958-605. Under this model, the Institute has recorded the forgiveness as a contribution on the Statement of Activities for the year ended December 31, 2021.

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, 2021, 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.

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 26, 2022, 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	$ 127,935
Accounts receivable	17,828
Investments	12,955,534
Total financial assets available within one year	13,101,297
Less: amounts unavailable for general expenditures within one year, due to:	
Restricted by donors with purpose restrictions	184,708
Restricted by donors in perpetuity	7,258,159
Total amounts unavailable for general expenditure within one year	7,442,867
Less: amounts unavailable to management without Board approval:	
Board designated quasi-endowment	5,127,886
Total financial assets available to management for general expenditure within one year	$ 530,544

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, 2021.

Covid-19 risks - 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 the 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, 2021.

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, 2021, stated at fair value, consist of the following:

Equities	$ 9,579,677
Bonds	3,187,310
Cash and cash equivalents	188,547
	$ 12,955,534

Investment income at December 31, 2021 is made up of $263,787 in interest and dividends, $1,522,488 in realized and unrealized losses and $40,073 in investment fees.

Note 6. Property and Equipment

Property and equipment, as of December 31, 2021 is summarized as follows:

Leasehold interest	$ 5,975,233
Equipment	166,249
Furniture and fixtures	218,548
Leasehold improvements	210,912
	6,570,942
Less accumulated depreciation	(3,706,014)
	$ 2,864,928

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, 2021. Amounts designated by the board are quasi-endowment funds held for the purposes of long-term investments.

Board designated quasi endowment	$ 5,127,886
Undesignated	894,027
	$ 6,021,913

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.

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. During the year ended December 31, 2021, a distribution of $10,000 was made from this fund to support poor children to attend the Institute's programs.

Net assets with donor restrictions at December 31, 2021 are available for the following purposes or periods:

Subject to expenditure for specified purpose	
Environment and climate change	$ 66,500
Los Californias blue carbon project	49,700
Marine conservation	42,740
Energy	25,768
Subject to passage of time	
Leasehold interest	2,375,085
	2,559,793

Donor restricted fund held in perpetuity subject to spending policy and appropriation at December 31, 2021 is as follows:

	Donor Restrictions to be maintained in perpetuity	Unappropriated income on endowment funds available to support	Total
Carlos Malamud Endowment	$ 70,000	$ 56,623	$ 126,623
General endowment	4,581,008	2,550,528	7,131,536
	$ 4,651,008	$ 2,607,151	$ 7,258,159

Total net assets with donor restrictions at December 31, 2021 is $9,817,952.

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, 2021:

Amortization of lease interest	$	85,587
Appropriation of endowment assets for expenditure		597,195
Baja energy access		150,000
Environment and climate		50,000
Blue carbon project		83,800
Marine conservation		29,813
	$	996,395

Note 10. Endowments

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 endowment asset value and annual withdrawals should never be greater than 7%. 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, 2021, the Institute did not have any funds with deficiencies.

Board Designated Quasi-Endowment and Donor Restricted Endowment net asset composition as of December 31, 2021, is as follows:

Board Designated Endowments	
Board designated quasi-endowment	$ 5,127,886
Donor Restricted Endowments	
Carlos Malamud Endowment	126,623
General endowment	7,131,536
	7,258,159
	$ 12,386,045

Changes in Board designated quasi-endowment and donor restricted endowment funds during the year ended December 31, 2021 are summarized in the following table:

	Without donor restrictions	With donor restrictions	Total
Endowment net assets, beginning of year	$ 4,833,142	$ 6,833,721	$ 11,666,863
Investment return:			
Investment income, net	91,057	128,748	219,805
Net appreciation (realized and unrealized)	631,492	892,885	1,524,377
Total investment return	722,549	1,021,633	1,744,182
Appropriation of endowment assets for expenditure	(427,805)	(597,195)	(1,025,000)
Endowment net assets, end of year	$ 5,127,886	$ 7,258,159	$ 12,386,045

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 $32,000 as of December 31, 2021. 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 expiring on December 1, 2026 and includes the following at December 31, 2021:

Copier	$ 20,704
Less accumulated depreciation	(1,882)
	$ 18,822

Depreciation expense related to these capitalized leases was approximately $1,882 for the year ended December 31, 2021.

Future minimum lease payment on the capital lease as of December 31, 2021 is as follows:

Years Ending December 31		
2022	$	3,789
2023		3,824
2024		3,855
2025		3,890
2026		3,464
	$	18,822

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 2021.

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, 2021 was $141,582.

Future minimum sublease payments under the above operating lease is $47,339 for the year ended December 31, 2022.

Note 15. December 31, 2020 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, 2020, from which the summarized information was derived.

Certain reclassifications have been made to the summarized 2020 financial information to conform to the classifications adopted for the 2021 financial statements. This reclassification had no effect on the change in net assets.