

International Life Sciences Institute

Audited Financial Statements

Years Ended December 31, 2020 and 2019
with Report of Independent Auditors

International Life Sciences Institute

Audited Financial Statements

Years ended December 31, 2020 and 2019

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Report of Independent Auditors

Board of Trustees
International Life Sciences Institute
Washington, D.C.

We have audited the accompanying financial statements of the International Life Sciences Institute (ILSI), which comprise the statements of financial position as of December 31, 2020 and 2019 and the related statements of activities, functional expenses and cash flows for years 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 misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 over financial reporting. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies 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 audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the International Life Sciences Institute as of December 31, 2020 and 2019 and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.



Vienna, Virginia
June 15, 2021

International Life Sciences Institute

Statements of Financial Position

	December 31,	
	2020	2019
Assets		
Cash and cash equivalents (Note A)	\$ 282,593	\$ 747,686
Investments (Note C)	8,820,318	1,636,395
Accounts receivable, net (Note A)	93,887	44,449
Amounts due under NPO Services agreement (Note E)	155,751	141,573
Rent receivable under NPO Services agreement (Note E)	674,779	684,494
Prepaid expenses and other assets	6,930	81,628
Deposit for office lease	160,656	160,656
Property and equipment, net (Note D)	885,938	999,839
Total assets	\$ 11,080,852	\$ 4,496,720
Liabilities and net assets		
Liabilities:		
Accounts payable	\$ 308,343	\$ 160,281
Accrued expenses	88,860	82,712
Deferred revenue - affiliated entity assessments	21,092	21,753
Deferred revenue - royalties	-	75,000
Deferred revenue - other income	-	66,495
Deposits payable under NPO Services agreement (Note E)	402,737	402,737
Deferred rent	1,828,926	1,937,068
Total liabilities	2,649,958	2,746,046
Net assets:		
Without donor restrictions:		
Undesignated	410,537	655,157
Board-designated	7,721,755	777,580
Total net assets without donor restrictions	8,132,292	1,432,737
With donor restrictions (Note G)	298,602	317,937
Total net assets	8,430,894	1,750,674
Total liabilities and net assets	\$ 11,080,852	\$ 4,496,720

See accompanying notes to the financial statements.

International Life Sciences Institute

Statement of Activities

Year ended December 31, 2020

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Revenue:			
Reimbursements under NPO Services agreement (Note E)	\$ 1,167,791	\$ -	\$ 1,167,791
Affiliated entity assessments (Note A)	454,188	-	454,188
Royalties	353,490	-	353,490
Contributions	6,611,722	19,701	6,631,423
Other income	89,070	-	89,070
Investment income, net (Note C)	<u>140,382</u>	<u>-</u>	<u>140,382</u>
	8,816,643	19,701	8,836,344
Net assets released from restriction	<u>39,036</u>	<u>(39,036)</u>	<u>-</u>
Total revenue	8,855,679	(19,335)	8,836,344
Expenses:			
Program services:			
ILSI Global	532,024	-	532,024
Research program	6,221	-	6,221
Annual meeting	136,235	-	136,235
Press	200,177	-	200,177
Expenses under NPO Services agreement	<u>1,167,791</u>	<u>-</u>	<u>1,167,791</u>
Total program services	2,042,448	-	2,042,448
General and administrative	<u>353,540</u>	<u>-</u>	<u>353,540</u>
Total expenses	<u>2,395,988</u>	<u>-</u>	<u>2,395,988</u>
Change in net assets from operations	6,459,691	(19,335)	6,440,356
Net change in fair value of investments (Note C)	<u>239,864</u>	<u>-</u>	<u>239,864</u>
Change in net assets	6,699,555	(19,335)	6,680,220
Net assets, beginning of year	<u>1,432,737</u>	<u>317,937</u>	<u>1,750,674</u>
Net assets, end of year	<u>\$ 8,132,292</u>	<u>\$ 298,602</u>	<u>\$ 8,430,894</u>

See accompanying notes to the financial statements.

International Life Sciences Institute

Statement of Activities

Year ended December 31, 2019

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Revenue:			
Reimbursements under NPO Services agreement (Note E)	\$ 1,283,595	\$ -	\$ 1,283,595
Affiliated entity assessments (Note A)	584,171	-	584,171
Royalties	402,260	-	402,260
Contributions	-	113,356	113,356
Other income	24,660	-	24,660
Investment income, net (Note C)	<u>39,545</u>	<u>-</u>	<u>39,545</u>
	2,334,231	113,356	2,447,587
Net assets released from restriction	<u>27,576</u>	<u>(27,576)</u>	<u>-</u>
Total revenue	2,361,807	85,780	2,447,587
Expenses:			
Program services:			
ILSI Global	362,935	-	362,935
Annual meeting	134,068	-	134,068
Press	281,090	-	281,090
Expenses under NPO Services agreement	<u>1,283,595</u>	<u>-</u>	<u>1,283,595</u>
Total program services	2,061,688	-	2,061,688
General and administrative	<u>211,702</u>	<u>-</u>	<u>211,702</u>
Total expenses	<u>2,273,390</u>	<u>-</u>	<u>2,273,390</u>
Change in net assets from operations	88,417	85,780	174,197
Net change in fair value of investments (Note C)	<u>90,031</u>	<u>-</u>	<u>90,031</u>
Change in net assets	178,448	85,780	264,228
Net assets, beginning of year	<u>1,254,289</u>	<u>232,157</u>	<u>1,486,446</u>
Net assets, end of year	<u>\$ 1,432,737</u>	<u>\$ 317,937</u>	<u>\$ 1,750,674</u>

See accompanying notes to the financial statements.

International Life Sciences Institute

Statements of Functional Expenses

Years ended December 31, 2020 and 2019

	Program services						Supporting services	
	ILSI Global	Research program	Annual meeting	Press	NPO Services	Total	General and administrative	2020 Total
Salaries and benefits	\$ 133,310	\$ 4,922	\$ -	\$ 104,774	\$ 947,188	\$ 1,190,194	\$ 137,156	\$ 1,327,350
Travel and meetings	23,378	-	130,316	210	658	154,562	1,786	156,348
Grants and research awards	35,866	-	520	-	-	36,386	-	36,386
Occupancy	19,409	717	-	15,254	160,974	196,354	19,968	216,322
Consultants	292,800	-	3,188	-	7,185	303,173	111	303,284
Depreciation and amortization	-	-	-	-	4,665	4,665	14,404	19,069
Equipment and supplies	3,553	-	626	504	47,803	52,486	-	52,486
Publications	-	-	-	66,090	-	66,090	-	66,090
Financial and professional services	-	-	1,427	-	56,294	57,721	70,231	127,952
Insurance	-	-	-	-	38,088	38,088	2,500	40,588
Other	-	-	-	-	8,115	8,115	750	8,865
Communications	7,956	-	158	965	31,179	40,258	990	41,248
ILSI allocation of NPO Services	15,752	582	-	12,380	(134,358)	(105,644)	105,644	-
Total	<u>\$ 532,024</u>	<u>\$ 6,221</u>	<u>\$ 136,235</u>	<u>\$ 200,177</u>	<u>\$ 1,167,791</u>	<u>\$ 2,042,448</u>	<u>\$ 353,540</u>	<u>\$ 2,395,988</u>

	Program services						Supporting services	
	ILSI Global	Research program	Annual meeting	Press	NPO Services	Total	General and administrative	2019 Total
Salaries and benefits	\$ 189,629	\$ -	\$ 35,852	\$ 137,885	\$ 1,023,243	\$ 1,386,609	\$ 67,437	\$ 1,454,046
Travel and meetings	29,027	-	82,953	13,881	11,621	137,482	1,062	138,544
Grants and research awards	39,141	-	-	-	-	39,141	-	39,141
Occupancy	25,517	-	4,824	18,554	157,670	206,565	9,074	215,639
Consultants	23,121	-	2,916	383	13,607	40,027	15,884	55,911
Depreciation and amortization	26,904	-	-	-	8,729	35,633	952	36,585
Equipment and supplies	4,525	-	1,507	-	47,965	53,997	2,289	56,286
Publications	-	-	159	90,652	-	90,811	-	90,811
Financial and professional services	-	-	1,301	-	61,528	62,829	5,936	68,765
Insurance	-	-	-	-	63,060	63,060	-	63,060
Other	-	-	-	2,888	13,885	16,773	2,005	18,778
Communications	3,352	-	450	1,054	29,543	34,399	1,425	35,824
ILSI allocation of NPO Services	21,719	-	4,106	15,793	(147,256)	(105,638)	105,638	-
Total	<u>\$ 362,935</u>	<u>\$ -</u>	<u>\$ 134,068</u>	<u>\$ 281,090</u>	<u>\$ 1,283,595</u>	<u>\$ 2,061,688</u>	<u>\$ 211,702</u>	<u>\$ 2,273,390</u>

See accompanying notes to the financial statements.

International Life Sciences Institute

Statements of Cash Flows

	Years ended December 31,	
	2020	2019
Cash flows from operating activities		
Change in net assets	\$ 6,680,220	\$ 264,228
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	113,901	137,022
Net change in fair value of investments	(239,864)	(90,031)
Changes in operating assets and liabilities:		
Accounts receivable	(49,438)	(37,409)
Amounts due under NPO Services agreement	(14,178)	177,820
Rent receivable under NPO Services agreement	9,715	(291,114)
Prepaid expenses and other assets	74,698	(53,488)
Accounts payable and accrued expenses	154,210	52,302
Deferred revenue	(142,156)	(17,306)
Deferred rent	(108,142)	313,104
Deposits for office lease	-	53,552
Total adjustments	(201,254)	244,452
Net cash provided by operating activities	6,478,966	508,680
Cash flows from investing activities		
Proceeds from sales or maturities of investments	1,051,354	1,871
Purchases and reinvestments of investments	(7,995,413)	(41,415)
Net cash used in investing activities	(6,944,059)	(39,544)
Net change in cash and cash equivalents	(465,093)	469,136
Cash and cash equivalents, beginning of year	747,686	278,550
Cash and cash equivalents, end of year	\$ 282,593	\$ 747,686

See accompanying notes to the financial statements.

International Life Sciences Institute

Notes to the Financial Statements

Years ended December 31, 2020 and 2019

Note A - Organization and Summary of Significant Accounting Policies

Organization

International Life Sciences Institute ("ILSI") was incorporated under the laws of the District of Columbia in July 1978 in order to promote an understanding and resolution of nutrition, food safety, toxicology, risk assessment, and environmental issues worldwide. Through ILSI, scientific experts from the academic, government, industrial, and public sectors throughout the world collaborate on research and education programs at national and international levels.

ILSI has also established and chartered multiple affiliated entities located throughout the world. ILSI does not maintain a majority voting interest in the governing bodies of these entities; accordingly, these financial statements do not reflect the financial position, changes in net assets, and cash flows of ILSI's affiliated entities.

Income taxes

ILSI is exempt from the payment of income taxes on their exempt activities under Section 501(c)(3) of the Internal Revenue Code and is classified by the Internal Revenue Service ("IRS") as other than a private foundation within the meaning of Section 509(a)(1) of the Internal Revenue Code. ILSI does not have any uncertain tax positions that are material to the financial statements as of December 31, 2020.

Basis of accounting

ILSI prepares its financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States ("U.S. GAAP"). Accordingly, revenues are recognized when earned and expenses are recognized when the underlying obligations are incurred.

Measure of operations

The statements of activities reports all changes in net assets, including changes in net assets from operating and nonoperating activities. Operating activities consist of those items attributable to ILSI's ongoing program services. Nonoperating activities are limited to the net change in fair value of investments.

Use of estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from estimates.

International Life Sciences Institute

Notes to the Financial Statements (Continued)

Note A - Organization and Summary of Significant Accounting Policies (Continued)

Cash and cash equivalents

For financial statement purposes, ILSI considers all demand deposit accounts and highly liquid instruments which are held for current operations to be cash and cash equivalents. All other highly liquid instruments, which are included within ILSI's investment portfolio are set aside for investment purposes.

Investments and fair value measurement

Investments in money market funds, mutual funds and exchange traded funds are carried at fair value in accordance with U.S. GAAP. Investment income, net consists of interest and dividends earned from cash, cash equivalents and investments, net of related investment management expenses. Realized and unrealized gains and losses are recorded as change in fair value in the statement of activities. Gains and losses arising from the sale, maturity and other dispositions are accounted for on a specific identification basis calculated as of the trade date.

U.S. GAAP establishes a three-level hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3).

Level 1 – Inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities traded in active markets that ILSI has the ability to access.

Level 2 – Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, for substantially the entire period, and market-corroborated inputs.

Level 3 – Inputs to the valuation methodology are unobservable for the asset or liability and are significant to the fair value measurement.

Credit risk

ILSI maintains demand deposits with commercial banks and money market funds with financial institutions. At times, certain balances held within these accounts may not be fully guaranteed or insured by the U.S. federal government. The uninsured portions of cash and money market accounts are backed solely by the assets of the underlying institution. As such, the failure of an underlying institution could result in financial loss to ILSI.

International Life Sciences Institute

Notes to the Financial Statements (Continued)

Note A - Organization and Summary of Significant Accounting Policies (Continued)

Market value risk

ILSI invests funds in professionally managed portfolios containing various types of equity securities. Such investments are exposed to market and credit risks. Therefore, the investment balances reported in the accompanying financial statements may not be reflective of the portfolio's value during subsequent periods.

Accounts receivable

Accounts receivable primarily consist of amounts due for royalties and affiliated entity assessments. Accounts receivable are presented net of an allowance for doubtful accounts, if any. ILSI's management periodically reviews the status of all accounts receivable balances for collectibility based on its knowledge of and relationship with the customer and the age of the receivable balance. As a result of these reviews, ILSI does not believe an allowance for doubtful accounts is necessary as of December 31, 2020 and 2019.

Property and equipment

Acquisitions of property and equipment greater than \$5,000 are capitalized at cost and depreciated, using the straight-line method, over the following estimated useful lives: furniture and equipment – four to ten years; computer software and equipment – three to five years; and leasehold improvements – over the term of the office lease or remaining portion thereof, unless the asset's useful life is estimated to be shorter.

Net Assets

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

Net Assets Without Donor Restrictions - Net assets available for use in general operations and not subject to donor restrictions. Board-designated net assets represent the funds that ILSI's Board of Trustees has determined should be reserved for long-term investment and research purposes. The Board has the right to approve expenditures from this fund at any time.

Net Assets With Donor Restrictions - Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that are met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose has been fulfilled, or both.

International Life Sciences Institute

Notes to the Financial Statements (Continued)

Note A - Organization and Summary of Significant Accounting Policies (Continued)

Reimbursement under NPO Services agreement

ILSI operates and participates in the NPO Services agreement with a group of non-profit organizations co-located in office space in Washington, DC leased by ILSI, with ILSI North America ("ILSI N.A."), the Agriculture & Food Systems Institute ("AFSI") and Health and Environmental Sciences Institute ("HESI"), as disclosed in Note E. These expenses appear under the NPO Services program within the statements of functional expenses. AFSI terminated its shared service agreement with ILSI effective December 31, 2020. Under the NPO Services agreement, expenses for rent, accounting, legal, information technology, human resources, and business services, which are bundled for financial reporting purposes, are allocated monthly to each organization. NPO Services revenue is recognized monthly as the services are performed and is nonrefundable, except for deposits held by ILSI (see Note E).

Affiliated entity assessments

ILSI collects an annual assessment fee from the scientific entities affiliated with ILSI through its charter agreement. The agreement gives the entities the right to utilize the name of ILSI in the name of the entity, and to acknowledge affiliation in the ILSI federation. Additionally, ILSI provides a website, newsletter, and access to a network of academic, industry, and government experts in food science, nutrition, safety, and risk assessment. These benefits are considered performance obligations for financial statement purposes. ILSI recognizes revenue from the assessments over the 12-month period commencing on January 1. Assessments received in advance of the period to which they apply are recorded as deferred revenue until that period occurs. Entity assessments are not refundable.

Royalties

Royalties and the editorial stipend from ILSI's journal, *Nutrition Reviews*, and other publications are recognized as revenue over the 12-month publishing period commencing on January 1, as the journals are published, which is the performance obligation for financial statement purposes. Amounts received in advance of the publishing period are recorded as deferred revenue when received and recognized as revenue when the journals are published. Royalties are not refundable.

Contributions

ILSI recognizes contributions when an unconditional promise to give is received. Conditional promises to give, with a measurable performance or other barrier and a right of return, are not recognized until the conditions on which they depend have been met. Contributions received prior to meeting the conditions are reported as refundable advances in the statements of financial position. Contributions are recorded as with donor restrictions or without donor restrictions, depending on the existence or nature of any donor-imposed restrictions. ILSI did not receive any conditional promises to give for the years ended December 31, 2020 and 2019. Donated securities are received as contributions and are recognized as contribution revenue at the fair value of the securities at the time of receipt by the ILSI.

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Notes to the Financial Statements (Continued)

Note A - Organization and Summary of Significant Accounting Policies (Continued)

Other income

Other income primarily consists of conference registration fees. Registration fees are recognized as revenue in the period the conference or meeting takes place, or when goods, services or benefits related to the conference or meeting are provided. Amounts received in advance of the conference or meeting are recorded as deferred revenue. In the event a conference or meeting is cancelled, registration fees may be refunded in full or part within a certain timeframe before each event.

Functional allocation of expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Certain categories of expenses are attributed to more than one program or supporting function, and therefore, require allocation on a reasonable basis that is consistently applied. Salaries and benefits, rent, and the legal and information technology expenses under the NPO Services agreement are allocated on the basis of estimates of time and effort. All other natural expenses are direct costs of the functional activity.

COVID-19 risks and uncertainties

In March 2020, the World Health Organization declared a pandemic related to the rapidly spreading coronavirus (COVID-19) outbreak, which has led to a global health emergency. ILSI's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak and its impact on ILSI's operations. Management does not believe COVID-19 will have a material adverse effect on ILSI's financial position in the future including the fair value of ILSI's investments. However, the ultimate duration and impact of the COVID-19 outbreak on ILSI's financial position cannot be reasonably estimated at this time.

Subsequent events

ILSI has performed an evaluation of subsequent events through June 15, 2021, which is the date the financial statements were available to be issued and has considered any relevant matters in preparation of the financial statements and footnotes. See Note I.

Reclassifications

Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported net assets.

International Life Sciences Institute

Notes to the Financial Statements (Continued)

Note B - Liquidity and Availability of Resources

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the date of the statements of financial position, comprise the following:

	December 31,	
	2020	2019
Cash and cash equivalents	\$ 282,593	\$ 747,686
Accounts receivable	93,887	44,449
Short-term investments	1,097,971	865,602
Amount due under shared services agreement	155,751	141,573
Net assets with donor restrictions	(298,602)	(317,937)
Financial assets available to meet cash needs for general expenditures within one year	\$ 1,331,600	\$ 1,481,373

ILSI is substantially supported by revenue without donor restriction, including assessments from entities affiliated through charter agreements and royalties from its journal. ILSI also receives reimbursements for the shared services provided by ILSI to the three organizations co-located in the Washington, DC office (see Note E). ILSI holds a deposit from each of the organizations to cover the period of time between when ILSI pays for and is reimbursed for the shared services. The financial assets above are sufficient to meet the cash needs for general expenditures within one year of the statements of financial position date. ILSI also has a Board-Designated Reserve fund, which is without donor restriction, that may be drawn upon with Board approval in the event of financial distress or to fund initiatives outside of the normal course of operations. As the purpose of this fund is for long-term growth, ILSI does not consider this available for general expenditure.

Note C - Investments and Fair Value Measurements

Investments, recorded at fair value in accordance with the U.S. GAAP hierarchy, consist of the following at December 31:

	2020	2019	Fair Value Level
Money market funds	\$ 13,258	\$ 4,267	Level 1
Fixed income exchange traded funds	-	454,333	Level 1
Fixed income mutual funds	6,896,092	862,509	Level 1
Equity mutual funds	1,231,697	272,773	Level 1
Equity exchange traded funds	679,271	42,513	Level 1
Total investments, at fair value	\$ 8,820,318	\$ 1,636,395	

International Life Sciences Institute

Notes to the Financial Statements (Continued)

Note C - Investments and Fair Value Measurements (Continued)

Investment return consists of the following for the years ended December 31:

	<u>2020</u>	<u>2019</u>
Interest and dividend income	\$ 142,328	\$ 41,415
Investment fees	<u>(1,946)</u>	<u>(1,870)</u>
Investment income, net	140,382	39,545
Net change in fair value of investments	<u>239,864</u>	<u>90,031</u>
Total return on investments	<u>\$ 380,246</u>	<u>\$ 129,576</u>

Note D - Property and Equipment

Property and equipment consists of the following at December 31:

	<u>2020</u>	<u>2019</u>
Computer software and equipment	\$ 199,540	\$ 241,190
Leasehold improvements	<u>1,149,092</u>	<u>1,149,092</u>
	1,348,632	1,390,282
Less accumulated depreciation	<u>(462,694)</u>	<u>(390,443)</u>
Property and equipment, net	<u>\$ 885,938</u>	<u>\$ 999,839</u>

Note E - NPO Services Agreement

Under the NPO Services agreement, which is discussed in Note A, expenses for accounting, legal, information technology, human resources, and business services are allocated monthly to each organization that is a participant in the agreement based on their total number of full-time equivalents. During the years ended December 31, 2020 and 2019, ILSI allocated the cost of these shared services as follows:

	<u>2020</u>	<u>2019</u>
ILSI N.A.	\$ 342,984	\$ 449,136
AFSI	268,714	294,515
HESI	<u>556,096</u>	<u>539,944</u>
	<u>\$ 1,167,794</u>	<u>\$ 1,283,595</u>

Each organization under the NPO Services agreement pays the landlord directly for its share of the rent, using the same allocation as under the NPO Services agreement. See Note I for a subsequent event related to the NPO Services agreement.

International Life Sciences Institute

Notes to the Financial Statements (Continued)

Note E - NPO Services Agreement (Continued)

Due under NPO Services Agreement: Net amounts due to ILSI for NPO Services cost allocations under shared services agreement consisted of the following as of December 31:

	2020	2019
Due from ILSI N.A.	\$ 43,765	\$ 41,754
Due from HESI	73,736	63,229
Due from AFSI	38,250	36,590
Total due under NPO Services agreement	\$ 155,751	\$ 141,573

As of December 31, 2020 and 2019, ILSI owed ILSI N.A. \$196,700 and \$0, respectively, for a deposit unintentionally made by an ILSI N.A. member company to ILSI's checking account. This amount is included in accounts payable.

Rent receivable under NPO Services Agreement: ILSI leases office space in Washington, D.C. (see Note H). Since ILSI N.A., AFSI and HESI share the same office space with ILSI, ILSI allocated a portion of its deferred rent liability to each organization based on the number of full-time equivalents. As such, deferred rent of \$235,851 was allocated to ILSI N.A., \$155,102 to AFSI and \$283,826 to HESI as of December 31, 2020. As of December 31, 2019, ILSI allocated deferred rent of \$238,705 to ILSI N.A., \$157,337 to AFSI and \$288,452 to HESI.

Deposits under NPO Services Agreement: As part of the NPO services agreement, ILSI charged each organization a deposit to cover the period of time between when ILSI pays the NPO Services cost and when it is reimbursed. Additionally, as part of the office space lease agreement (see Note H), ILSI paid a lease deposit in the amount of \$238,705, and allocated a portion of this amount to ILSI N.A. HESI, and AFSI based on the number of full-time equivalents. Total deposits held by ILSI on behalf of each organization were as follows as of December 31:

	2020	2019
ILSI N.A.	\$ 165,356	\$ 165,356
HESI	155,212	155,212
AFSI	82,169	82,169
	\$ 402,737	\$ 402,737

Note F - Related Party Transactions

ILSI is part of an affiliated group of non-profit organizations through charter agreements, which includes ILSI N.A. and AFSI located in Washington, DC, as well as multiple international affiliated entities. In the ordinary course of doing business, ILSI has a variety of financial transactions with the affiliates located in Washington, DC. AFSI terminated its charter agreement with ILSI effective May 1, 2020 and is no longer part of the affiliated group.

International Life Sciences Institute

Notes to the Financial Statements (Continued)

Note F - Related Party Transactions (Continued)

ILSI affiliated entity assessments: As specified in its charter agreements, all members of ILSI's affiliated entities are automatically members of ILSI. Since ILSI does not collect its own dues from these members, ILSI instead charges an annual assessment to its affiliates in order to provide support for ILSI's governance and communication activities. During the years ended December 31, 2020 and 2019, ILSI charged \$149,836 and \$150,000, respectively, to ILSI N.A. ILSI charged AFSI \$50,000 and \$150,000 for the years ended December 31, 2020 and 2019, respectively.

Joint annual meeting: Each year ILSI holds an annual meeting, and each organization may hold their own board meetings and scientific sessions in conjunction with the meeting. ILSI collects all the annual meeting income and pays in advance for the joint expenses of the meeting.

ILSI N.A. reimbursed ILSI a net of \$26,971 and \$37,056, respectively, for its share of annual meeting activity for the years ended December 31, 2020 and 2019. AFSI did not participate as a partner in these meetings during the year ended December 31, 2020. AFSI reimbursed ILSI a net of \$25,159, for its share of annual meeting activity for the year ended December 31, 2019.

Professional service fees: From time to time, ILSI will utilize staff or other resources from another affiliate in carrying out its projects, or conversely, another affiliate will utilize staff or other resources of ILSI. The extent and use of these services is agreed to by the two affiliates in advance, and the affiliate requesting the resources is charged a professional fee as compensation. During the years ended December 31, 2020 and 2019, ILSI paid professional services fees of \$0 and \$2,380 to AFSI, respectively, for their communications and annual meeting support. During the years ended December 31, 2020 and 2019, ILSI paid professional services fees of \$7,700 and \$0 to ILSI N.A., respectively, for their communications and annual meeting support.

Settlement with AFSI: On May 1, 2020, AFSI terminated its charter agreement with ILSI. The charter agreement with AFSI contained a clause in which AFSI would be liable for certain damages in the event of the termination of the agreement without cause. On October 12, 2020, ILSI and AFSI executed a settlement agreement where AFSI paid a settlement of \$6,604,000 to ILSI during the year ended December 31, 2020. This activity was recorded within contribution revenue in the accompanying statements of activities for the year ended December 31, 2020. ILSI's Board of Trustees elected to designate these funds for research purposes.

International Life Sciences Institute

Notes to the Financial Statements (Continued)

Note G - Net Assets With Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes at December 31:

	2020		2019
Subject to specified purpose:			
Platform in International Partnerships	\$ 61,612	\$	61,612
ILSI Presence in Africa	74,316		74,316
Staff Global Travel Fund	27,118		27,123
Latin American Coordination	1,544		2,541
Malaspina Travel Award	21,852		38,636
ILSI Focal Point in China	112,160		113,709
	\$ 298,602	\$	317,937

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose as follows for the years ended December 31:

	2020		2019
Satisfaction of purpose restrictions:			
Latin American Coordination	\$ 996	\$	-
Malaspina Travel Award	16,784		24
ILSI Focal Point in China	21,256		27,552
	\$ 39,036	\$	27,576

Note H - Defined Contribution Pension Plan

ILSI has a Section 403(b) defined contribution retirement plan, which covers substantially all of its employees. Employer contributions to the plan are calculated at 7% of each eligible participant's salary. Participants may also make voluntary elective deferrals to the plan. For the years ended December 31, 2020 and 2019, pension contribution expense totaled \$68,933 and \$64,996, respectively.

Note I - Commitments and Contingencies

Office Lease

In February 2017, ILSI executed a lease for office space in Washington, DC. This lease commenced on February 20, 2018 and expires 12 years after the date of commencement. ILSI received certain concessions from the lease agreement, which will be amortized over the lease term on a straightline basis. Rent expenses are allocated to the participants in the NPO Services agreement (see Note E).

Rent expense, net of amortized rent abatements and amounts allocated to participants of the NPO Services agreement (see Note E) totaled \$216,322 and \$215,639 for the years ended December 31, 2020 and 2019, respectively.

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Notes to the Financial Statements (Continued)

Note I - Commitments and Contingencies (Continued)

Office Lease (continued)

Future annual minimum lease payments, subject to an annual operating expense increase, under various leases are as follows:

Year ending December 31,	
2021	\$ 689,223
2022	706,453
2023	724,115
2024	742,217
2025	760,773
2026 and thereafter	<u>3,378,629</u>
	<u>\$ 7,001,410</u>

Note J - Subsequent Events

On February 18, 2021, ILSI N.A. terminated its charter agreement with ILSI and changed its name to the Institute for the Advancement of Food and Nutrition Sciences (IAFNS).