

# **International Life Sciences Institute**

## **Audited Financial Statements**

*Years Ended December 31, 2021 and 2020  
with Report of Independent Auditors*

International Life Sciences Institute

Audited Financial Statements

Years ended December 31, 2021 and 2020

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## Report of Independent Auditors

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

### ***Opinion***

We have audited the financial statements of the International Life Sciences Institute (ILSI), which comprise the statements of financial position as of December 31, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of ILSI as of December 31, 2021 and 2020, 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.

### ***Basis for Opinion***

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 ILSI and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. 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 the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about ILSI's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, 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 ILSI'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 ILSI'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.

A handwritten signature in black ink that reads "Johnson Lambert LLP". The signature is written in a cursive, flowing style.

Vienna, Virginia  
June 1, 2022

International Life Sciences Institute

Statements of Financial Position

As of December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
<b>Assets</b>		
Cash and cash equivalents (Note A)	\$ 670,922	\$ 282,593
Investments (Note C)	8,310,873	8,820,318
Accounts receivable, net (Note A)	216,933	93,887
Amounts due under NPO Services Agreement (Note E)	103,425	155,751
Rent receivable under NPO Space Agreement (Note E)	498,747	674,779
Prepaid expenses and other assets	1,020	6,930
Deposit for office lease	53,552	160,656
Property and equipment, net (Note D)	<u>786,987</u>	<u>885,938</u>
Total assets	<u>\$ 10,642,459</u>	<u>\$ 11,080,852</u>
<b>Liabilities and net assets</b>		
<b>Liabilities:</b>		
Accounts payable	\$ 36,579	\$ 308,343
Accrued expenses	132,237	88,860
Deferred revenue - affiliated entity assessments	5,046	21,092
Deferred revenue - royalties	275,708	-
Deposits payable under NPO Services and Space Agreements (Note E)	246,141	402,737
Deferred rent	<u>1,703,975</u>	<u>1,828,926</u>
Total liabilities	2,399,686	2,649,958
<b>Net assets:</b>		
Without donor restrictions:		
Undesignated	223,401	410,537
Board-designated	<u>7,721,755</u>	<u>7,721,755</u>
Total net assets without donor restrictions	7,945,156	8,132,292
With donor restrictions (Note F)	<u>297,617</u>	<u>298,602</u>
Total net assets	<u>8,242,773</u>	<u>8,430,894</u>
Total liabilities and net assets	<u>\$ 10,642,459</u>	<u>\$ 11,080,852</u>

See accompanying notes to the financial statements.

International Life Sciences Institute

Statement of Activities

Year ended December 31, 2021

	Without donor restrictions	With donor restrictions	2021 Total
<b>Revenue:</b>			
Reimbursements under NPO Services Agreement (Note E)	\$ 755,897	\$ -	\$ 755,897
Affiliated entity assessments (Note A)	169,090	-	169,090
Royalties	369,879	-	369,879
Other income	15,659	-	15,659
Investment income, net (Note C)	<u>301,282</u>	<u>-</u>	<u>301,282</u>
	1,611,807	-	1,611,807
Net assets released from restriction	<u>985</u>	<u>(985)</u>	<u>-</u>
Total revenue	1,612,792	(985)	1,611,807
<b>Expenses:</b>			
Program services:			
ILSI Global	299,405	-	299,405
Research program	269,611	-	269,611
Press	231,256	-	231,256
United States and Canada	47,339	-	47,339
Expenses under NPO Services Agreement	<u>755,897</u>	<u>-</u>	<u>755,897</u>
Total program services	1,603,508	-	1,603,508
Supporting services:			
General and administrative	204,453	-	204,453
Fundraising	<u>81,471</u>	<u>-</u>	<u>81,471</u>
Total expenses	<u>1,889,432</u>	<u>-</u>	<u>1,889,432</u>
Change in net assets from operations	(276,640)	(985)	(277,625)
Net change in fair value of investments (Note C)	<u>89,504</u>	<u>-</u>	<u>89,504</u>
Change in net assets	(187,136)	(985)	(188,121)
Net assets, beginning of year	<u>8,132,292</u>	<u>298,602</u>	<u>8,430,894</u>
Net assets, end of year	<u>\$ 7,945,156</u>	<u>\$ 297,617</u>	<u>\$ 8,242,773</u>

See accompanying notes to the financial statements.

International Life Sciences Institute

Statement of Activities

Year ended December 31, 2020

	Without donor restrictions	With donor restrictions	2020 Total
<b>Revenue:</b>			
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
<b>Expenses:</b>			
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
Supporting services:			
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

Statements of Functional Expenses

Years ended December 31, 2021 and 2020

	Program services						Supporting services			2021 Total
	ILSI Global	Research program	Press	United States and Canada	NPO Services	Total	General and administrative	Fundraising	Total	
Salaries and benefits	\$ 162,932	\$ 189,321	\$ 118,119	\$ 32,880	\$ 749,004	\$ 1,252,256	\$ 61,661	\$ 56,648	\$ 118,309	\$ 1,370,565
Travel and meetings	-	1,644	-	-	1,496	3,140	1,733	-	1,733	4,873
Grants and research awards	20,985	-	-	-	-	20,985	-	-	-	20,985
Occupancy	55,669	61,276	40,358	11,234	-	168,537	21,068	19,355	40,423	208,960
Consultants	34,298	-	-	-	2,110	36,408	-	-	-	36,408
Depreciation and amortization	-	-	-	-	3,167	3,167	952	-	952	4,119
Equipment and supplies	2,538	-	277	-	37,476	40,291	1,945	-	1,945	42,236
Publications	1,240	-	60,490	-	-	61,730	-	-	-	61,730
Financial and professional services	-	60	-	-	47,545	47,605	609	-	609	48,214
Insurance	-	-	-	-	36,272	36,272	4,867	-	4,867	41,139
Other	50	-	-	-	1,902	1,952	5,433	-	5,433	7,385
Communications	5,967	-	611	51	35,136	41,765	1,053	-	1,053	42,818
ILSI allocation of NPO Services	15,726	17,310	11,401	3,174	(158,211)	(110,600)	105,132	5,468	110,600	-
<b>Total</b>	<b>\$ 299,405</b>	<b>\$ 269,611</b>	<b>\$ 231,256</b>	<b>\$ 47,339</b>	<b>\$ 755,897</b>	<b>\$ 1,603,508</b>	<b>\$ 204,453</b>	<b>\$ 81,471</b>	<b>\$ 285,924</b>	<b>\$ 1,889,432</b>

	Program services						Supporting services		2020 Total
	ILSI Global	Research program	Annual meeting	Press	NPO Services	Total	General and administrative	Total	
Salaries and benefits	\$ 133,310	\$ 4,922	\$ -	\$ 104,774	\$ 947,188	\$ 1,190,194	\$ 137,156	\$ 137,156	\$ 1,327,350
Travel and meetings	23,378	-	130,316	210	658	154,562	1,786	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	19,968	216,322
Consultants	292,800	-	3,188	-	7,185	303,173	111	111	303,284
Depreciation and amortization	-	-	-	-	4,665	4,665	14,404	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	70,231	127,952
Insurance	-	-	-	-	38,088	38,088	2,500	2,500	40,588
Other	-	-	-	-	8,115	8,115	750	750	8,865
Communications	7,956	-	158	965	31,179	40,258	990	990	41,248
ILSI allocation of NPO Services	15,752	582	-	12,380	(134,358)	(105,644)	105,644	105,644	-
<b>Total</b>	<b>\$ 532,024</b>	<b>\$ 6,221</b>	<b>\$ 136,235</b>	<b>\$ 200,177</b>	<b>\$ 1,167,791</b>	<b>\$ 2,042,448</b>	<b>\$ 353,540</b>	<b>\$ 353,540</b>	<b>\$ 2,395,988</b>

See accompanying notes to the financial statements.



International Life Sciences Institute

Statements of Cash Flows

Years ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
<b>Cash flows from operating activities</b>		
Change in net assets	\$ (188,121)	\$ 6,680,220
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	98,951	113,901
Net change in fair value of investments	(89,504)	(239,864)
Changes in operating assets and liabilities:		
Accounts receivable	(123,046)	(49,438)
Amounts due under NPO Services Agreement	52,326	(14,178)
Rent receivable under NPO Space Agreement	176,032	9,715
Prepaid expenses and other assets	5,910	74,698
Deposit for office lease	107,104	-
Accounts payable and accrued expenses	(228,387)	154,210
Deferred revenue	259,662	(142,156)
Deferred rent	(124,951)	(108,142)
Deposits payable under NPO Services and Space Agreements	<u>(156,596)</u>	<u>-</u>
Total adjustments	<u>(22,499)</u>	<u>(201,254)</u>
Net cash flows from operating activities	(210,620)	6,478,966
<b>Cash flows from investing activities</b>		
Proceeds from sales or maturities of investments	2,027,948	1,051,354
Purchases and reinvestments of investments	<u>(1,428,999)</u>	<u>(7,995,413)</u>
Net cash flows from investing activities	<u>598,949</u>	<u>(6,944,059)</u>
Net change in cash and cash equivalents	388,329	(465,093)
Cash and cash equivalents, beginning of year	<u>282,593</u>	<u>747,686</u>
Cash and cash equivalents, end of year	<u>\$ 670,922</u>	<u>\$ 282,593</u>

See accompanying notes to the financial statements.

# International Life Sciences Institute

## Notes to the Financial Statements

Years ended December 31, 2021 and 2020

### **Note A - Organization and Summary of Significant Accounting Policies**

#### *Organization*

The 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, 2021.

#### *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, 2021 and 2020.

##### *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 leased by ILSI in Washington, DC. The non-profit organizations include the Institute for the Advancement of Food and Nutrition Sciences (IAFNS), previously known as ILSI N.A., the Agriculture & Food Systems Institute (AFSI) and the Health and Environmental Sciences Institute (HESI), as disclosed in Note E. AFSI terminated its shared service agreement with ILSI effective December 31, 2020. Under the NPO Service Agreement, expenses for accounting, legal, information technology, human resources, and business services, which are bundled for financial reporting purposes, are allocated monthly to each organization. These expenses appear under the NPO Services program within the statements of functional expenses. 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, 2021 and 2020. 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.

## International Life Sciences Institute

### 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*

The ongoing COVID-19 coronavirus pandemic (COVID-19) continues to have a global impact creating uncertainty, volatility, and disruption across economies and financial markets. ILSI's operational and financial performance will depend on certain developments, including the duration and spread of COVID-19 and its impact on ILSI and its affiliated entities, employees and vendors. As such, COVID-19 could have a material adverse effect on ILSI's financial position in the future. 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 1, 2022, 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.

## 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:

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 670,922	\$ 282,593
Accounts receivable	216,933	93,887
Short-term investments	193,851	1,097,971
Amount due under shared services agreement	<u>103,425</u>	<u>155,751</u>
Net assets with donor restrictions	<u>(297,617)</u>	<u>(298,602)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 887,514</u>	<u>\$ 1,331,600</u>

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:

	<u>2021</u>	<u>2020</u>	<u>Fair Value Level</u>
Money market funds	\$ 2,602	\$ 13,258	Level 1
Fixed income mutual funds	4,902,230	6,896,092	Level 1
Equity mutual funds	2,294,339	1,231,697	Level 1
Equity exchange traded funds	<u>1,111,702</u>	<u>679,271</u>	Level 1
Total investments, at fair value	<u>\$ 8,310,873</u>	<u>\$ 8,820,318</u>	

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>2021</u>	<u>2020</u>
Interest and dividend income	\$ 303,228	\$ 142,328
Investment fees	<u>(1,946)</u>	<u>(1,946)</u>
Investment income, net	301,282	140,382
Net change in fair value of investments	<u>89,504</u>	<u>239,864</u>
Total return on investments	<u>\$ 390,786</u>	<u>\$ 380,246</u>

**Note D - Property and Equipment**

Property and equipment consists of the following at December 31:

	<u>2021</u>	<u>2020</u>
Computer software and equipment	\$ 181,981	\$ 199,540
Leasehold improvements	<u>1,149,092</u>	<u>1,149,092</u>
	1,331,073	1,348,632
Less accumulated depreciation	<u>(544,086)</u>	<u>(462,694)</u>
Property and equipment, net	<u>\$ 786,987</u>	<u>\$ 885,938</u>

**Note E - NPO Services Agreement**

*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, 2021 and 2020, ILSI allocated the cost of these shared services as follows:

	<u>2021</u>	<u>2020</u>
IAFNS	\$ 298,843	\$ 342,984
AFSI	-	268,714
HESI	<u>457,054</u>	<u>556,096</u>
	<u>\$ 755,897</u>	<u>\$ 1,167,794</u>



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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:

	<u>2021</u>	<u>2020</u>
Due from IAFNS	\$ 41,020	\$ 43,765
Due from HESI	62,405	73,736
Due from AFSI	<u>-</u>	<u>38,250</u>
Total due under NPO Services agreement	<u>\$ 103,425</u>	<u>\$ 155,751</u>

As of December 31, 2021 and 2020, ILSI owed IAFNS \$0 and \$196,700, respectively, for an IAFNS payment mistakenly deposited to ILSI's account. This amount is included in accounts payable.

*NPO Space Agreement*

Each organization under the NPO Space Agreement pays the landlord directly for its share of the rent, based on the number of office spaces allocated under the terms of the agreement. AFSI terminated their involvement with this agreement effective December 31, 2020.

*Rent receivable under NPO Space Agreement*

ILSI leases office space in Washington, D.C. (see Note H). For each organization participating in the NPO Space Agreement, ILSI allocated a portion of its deferred rent liability, based on the number of office spaces allocated under the terms of the agreement. As such, deferred rent of \$228,194 was allocated to IAFNS, \$0 to AFSI and \$270,553 to HESI as of December 31, 2021. As of December 31, 2020, ILSI allocated deferred rent of \$235,851 to IAFNS, \$155,102 to AFSI and \$283,826 to HESI.

*Deposits under NPO Services and Space Agreements*

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 \$235,851, and allocated a portion of this amount to IAFNS, HESI, and AFSI based on the number of full-time equivalents. During 2021, a portion of the lease deposit was returned under the agreement with the landlord. Total deposits held by ILSI on behalf of each organization were as follows as of December 31:

	<u>2021</u>	<u>2020</u>
IAFNS	\$ 138,127	\$ 165,356
HESI	108,014	155,212
AFSI	<u>-</u>	<u>82,169</u>
	<u>\$ 246,141</u>	<u>\$ 402,737</u>

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Notes to the Financial Statements (Continued)

**Note F - Net Assets With Donor Restrictions**

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

	<u>2021</u>	<u>2020</u>
Subject to specified purpose:		
Platform in International Partnerships	\$ 61,612	\$ 61,612
ILSI Presence in Africa	74,316	74,316
Staff Global Travel Fund	27,123	27,118
Latin American Coordination	1,544	1,544
Scholars Travel Award	21,852	21,852
ILSI Focal Point in China	<u>111,170</u>	<u>112,160</u>
	<u>\$ 297,617</u>	<u>\$ 298,602</u>

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

	<u>2021</u>	<u>2020</u>
Satisfaction of purpose restrictions:		
Latin American Coordination	\$ -	\$ 996
Scholars Travel Award	-	16,784
ILSI Focal Point in China	<u>985</u>	<u>21,256</u>
	<u>\$ 985</u>	<u>\$ 39,036</u>

**Note G - 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, 2021 and 2020, pension contribution expense totaled \$68,867 and \$68,933, respectively.

**Note H - 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 are amortized over the lease term on a straightline basis. Rent expenses are allocated to the participants in the NPO Space Agreement (see Note E).

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Notes to the Financial Statements (Continued)

**Note H - Commitments and Contingencies (Continued)**

*Office Lease (continued)*

Rent expense, net of amortized rent abatements and amounts allocated to participants of the NPO Space Agreement (see Note E) totaled \$208,961 and \$216,322 for the years ended December 31, 2021 and 2020, respectively.

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

Year ending December 31,	
2022	\$ 706,453
2023	724,115
2024	742,217
2025	760,773
2026	779,792
2027 and thereafter	<u>2,598,837</u>
	<u>\$ 6,312,187</u>