Financial Statements

Period from January 1, 2018 to September 30, 2018

EastWest
INSTITUTE

The report accompanying these financial statements was issued by
BDO USA, LLP, a Delaware limited liability partnership and the U.S. member of
BDO International Limited, a UK company limited by guarantee.

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Institute for EastWest Studies d/b/a EastWest Institute

Consolidating Financial Statements

Period from January 1, 2018 to September 30, 2018

Institute for EastWest Studies
d/b/a EastWest Institute

Contents

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Independent Auditor's Report

Board of Directors
Institute for EastWest Studies
d/b/a EastWest Institute
New York, New York

We have audited the accompanying consolidating financial statements of the Institute for EastWest Studies d/b/a EastWest Institute (EWI or the Institute), which comprise the consolidating statement of financial position as of September 30, 2018, and the related consolidating statements of activities, functional expenses and cash flows for the period from January 1, 2018 to September 30, 2018, and the related notes to the consolidating financial statements.

Management's Responsibility for the Consolidating Financial Statements

Management is responsible for the preparation and fair presentation of these consolidating 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 the consolidating 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 consolidating financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidating financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidating financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidating 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 consolidating financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidating 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 consolidating financial statements referred to above present fairly, in all material respects, the financial position of the Institute as of September 30, 2018, and the change of its net assets and its cash flows for the period from January 1, 2018 to September 30, 2018, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 2 to the consolidating financial statements, the Institute for EastWest Studies d/b/a EastWest Institute changed their fiscal year end from December 31 to September 30.

For the year ending September 30, 2018, the Institute adopted Accounting Standard Update (ASU) 2016-14 - Presentation of Financial Statements of Not-for-Profit Entities. This ASU amends the current reporting model for nonprofit organizations and enhances their required disclosures. See Note 3.

The Institute has recorded a loss of $10 million in the consolidating statement of activities due to uncollected contributions. See Note 8.

BDO USA LLP

February 11, 2019

Institute for EastWest Studies
d/b/a EastWest Institute

Consolidating Statement of Financial Position

September 30, 2018

		EWI		EWI UK		Total
Assets						
Cash and cash equivalents (Note 3)	$	1,359,699	$	40,348	$	1,400,047
Investments, at fair value (Notes 3 and 4)		9,680,140		-		9,680,140
Contributions receivable, net (Notes 3 and 6)		2,447,685		-		2,447,685
Prepaid expenses and other assets		184,298		-		184,298
Total Current Assets		13,671,822		40,348		13,712,170
Contributions receivable, net long term (Notes 3 and 6)		97,281		-		97,281
Fixed assets, net (Notes 3 and 7)		588,218		-		588,218
Total Assets	$	14,357,321	$	40,348	$	14,397,669
Liabilities and Net Assets						
Liabilities						
Accounts payable and accrued expenses	$	216,219	$	-	$	216,219
Deferred revenue (Note 3)		728,800		-		728,800
Total Current Liabilities		945,019		-		945,019
Deferred Rent (Note 3)		297,840		-		297,840
Total Liabilities		1,242,859		-		1,242,859
Commitments and Contingencies (Notes 3, 8, 9 and 10)						
Net Assets (Notes 3, 7, 8 and 13)						
Without donor restrictions		4,252,402		40,348		4,292,750
With donor restrictions		8,862,060		-		8,862,060
Total Net Assets		13,114,462		40,348		13,154,810
	$	14,357,321	$	40,348	$	14,397,669

See accompanying notes to financial statements.

Institute for EastWest Studies
d/b/a EastWest Institute

Consolidating Statement of Activities

Period from January 1, 2018 to September 30, 2018

	EWI		EWI UK	
	Without Donor Restrictions	With Donor Restrictions	Without Donor Restrictions	Total
Public Support and Revenue				
Contributions	$ 1,599,669	$ 1,252,778	$ -	$ 2,852,447
Government and private grants	64,888	-	-	64,888
Interest and dividends, net	37,770	44,198	-	81,968
Realized and unrealized gain, net	168,677	306,926	-	475,603
In-kind contributions (Note 12)	258,391	-	-	258,391
Other income (Note 3)	241,625	-	-	241,625
Loss due to uncollected contributions (Note 8)	-	(10,000,000)	-	(10,000,000)
Net assets released from restrictions (Note 8)	2,325,559	(2,325,559)	-	-
Total Public Support and Revenue	4,696,579	(10,721,657)	-	(6,025,078)
Operating Expenses				
Program services:				
Cyber security	1,107,978	-	-	1,107,978
Regional security	621,821	-	-	621,821
Asia Pacific	732,319	-	-	732,319
Russia and U.S.	288,217	-	-	288,217
Economic Security	239,545	-	-	239,545
Balkans initiative	67,321	-	-	67,321
Networking and communication	938,703	-	-	938,703
Total Program Services	3,995,904	-	-	3,995,904
Supporting services:				
Management and general	1,273,589	-	2,280	1,275,869
Fundraising	647,334	-	-	647,334
Total Supporting Services	1,920,923	-	2,280	1,923,203
Total Expenses	5,916,827	-	2,280	5,919,107
Change in Net Assets Before Foreign Translation Loss	(1,220,248)	(10,721,657)	(2,280)	(11,944,185)
Foreign Translation Loss (Note 3)	(15,348)	-	(2,398)	(17,746)
Change in Net Assets	(1,235,596)	(10,721,657)	(4,678)	(11,961,931)
Net Assets, beginning of period	5,487,998	19,583,717	45,026	25,116,741
Net Assets, end of period	$ 4,252,402	$ 8,862,060	$ 40,348	$ 13,154,810

See accompanying notes to financial statements.

Institute for EastWest Studies
d/b/a EastWest Institute

Consolidating Statement of Functional Expenses

Period from January 1, 2018 to September 30, 2018

	Cyber Security	Regional Security	Asia Pacific	Russia	Economic Security	Balkans Initiative	Networking and Communications	Management and General	Fundraising	Total
Salaries, payroll taxes and fringe benefits	$ 685,994	$ 413,218	$ 528,249	$ 175,184	$ 189,050	$ 3,106	$ 542,971	$ 820,136	$ 513,659	$ 3,871,567
Other staff-related costs	4,395	681	1,708	1,222	176	49	6,484	6,635	11,952	33,302
Outside professional services	63,895	24,664	28,291	12,515	9,254	45,353	91,800	113,612	22,839	412,223
Travel / Conference costs	159,539	72,213	48,493	51,157	1,178	7,379	152,787	76,555	8,815	578,116
Equipment costs	28,222	18,190	19,713	7,153	6,014	1,525	29,928	63,421	20,498	194,664
Insurance costs	1,263	709	835	328	273	77	18,170	964	500	23,119
Occupancy costs	141,873	78,934	92,961	36,586	30,408	8,546	80,893	107,598	55,784	633,583
Office costs	19,557	9,184	9,851	3,417	2,665	1,038	14,483	45,761	5,479	111,435
Bad debts expense	-	-	-	-	-	-	-	25,000	-	25,000
Other expenses	3,240	4,028	2,218	655	527	248	1,187	16,187	7,808	36,098
Total	$ 1,107,978	$ 621,821	$ 732,319	$ 288,217	$ 239,545	$ 67,321	$ 938,703	$ 1,275,869	$ 647,334	$ 5,919,107

See accompanying notes to financial statements.

Institute for EastWest Studies
d/b/a EastWest Institute

Consolidating Statement of Cash Flows

Period from January 1, 2018 to September 30, 2018		
Cash Flows from Operating Activities		
Change in net assets	$	(11,961,931)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization		105,740
Loss due to uncollected contributions		10,000,000
Bad debts expense		25,000
Realized gains on investments		(335,330)
Unrealized gains on investments		(140,273)
Donated securities		(12,144)
Loss on disposal of fixed assets		459
Change in present value discount of contributions receivable		(135,626)
(Increase) decrease in:		
Contributions receivable		96,078
Prepaid expenses and other assets		(21,757)
Increase (decrease) in:		
Accounts payable and accrued expenses		(112,078)
Deferred rent		136,844
Deferred revenue		709,562
Total Adjustments		10,316,475
Net Cash Used in Operating Activities		(1,645,456)
Cash Flows from Investing Activities		
Purchases of fixed assets		(29,263)
Purchases of investments		(1,692,610)
Proceeds from sales of investments		3,340,420
Net Cash Provided by Investing Activities		1,618,547
Net Decrease in Cash and Cash Equivalents		(26,909)
Cash and Cash Equivalents, beginning of period		1,426,956
Cash and Cash Equivalents, end of period	$	1,400,047

See accompanying notes to financial statements.

1. Description of the Organization

Founded in 1981, the Institute for EastWest Studies d/b/a EastWest Institute (EWI or the Institute) is an international, nonpartisan, entrepreneurial organization with its headquarters in New York, and offices in Brussels, Moscow, and San Francisco. EWI works to make the world a safer place by addressing the seemingly intractable problems that threaten regional and global stability. Its directors, professional staff and alumni constitute the core of a worldwide network of women and men from diverse regional and professional backgrounds.

EWI brings conflicting parties to the negotiating table, often for the first time, enabling dialogue and trust-building. It generates and tests new ideas, reframes issues and creates sustainable solutions. Its track record of mentoring, partnering and networking has made it an institution of choice for state and non-state actors seeking to cooperate, prevent conflict and manage regional and global challenges.

EWI is a non-profit organization. Its fierce independence is ensured by the diversity of its supporters. They include individuals, foundations, institutions and businesses from around the world. It accepts limited project funding from some governments.

In June 2014 the EastWest Institute UK ("EWI UK") was organized for the purpose of raising funds on behalf of EWI. EWI UK is a separate legal entity whose sole member is EWI. EWI UK was subsequently dissolved in November 2018. The Board has decided to dissolve the entity since there are not sufficient contributions received in the UK to allow EWI to cover the costs of having a separate office in that country. The Board approved the dissolution in October 2018.

2. Principles of Consolidation

The consolidating financial statements include all accounts of EWI and EWI UK (collectively referred to as the Institute).

The Institute has changed its year end from December 31 to September 30, as approved by the Board of Directors in its board meeting in May 2018. The financial statements for 2018 cover the nine-month period from January 1, 2018 to September 30, 2018. Additionally, as discussed in Note 1, East West Institute UK was subsequently dissolved on November 20, 2018.

3. Summary of Significant Accounting Policies

Basis of Presentation

The consolidating financial statements of the Institute have been prepared on the accrual basis. In the consolidating statement of financial position, assets and liabilities are presented in order of liquidity or conversion to cash and their maturity resulting in the use of cash, respectively.

Financial Statement Presentation

The classification of a not-for-profit organization's net assets and its support, revenue and expenses are based on the existence or absence of donor-imposed restrictions. It requires that the amounts for each of the two classes of net assets, with donor restriction and without donor restriction, be displayed in a statement of financial position and that the amounts of change in each of those classes of net assets be displayed in a statement of activities.

These classes are defined as follows:

Without donor restrictions - Net assets without donor restrictions are not subject to donor-imposed stipulations and are, therefore, available for the general operations of the Institute. These assets are used to account for all resources over which the Board of Directors has discretionary control.

With donor restrictions – Net assets with donor restrictions consist of assets whose use is limited by donor-imposed, time and/or purpose restrictions. The Institute reports gifts of cash and other assets as revenue with donor restrictions 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 the net assets are reclassified as net assets without donor restriction and reported in the consolidating statement of activities as net assets released from restrictions.

Some net assets with donor restrictions include a stipulation that assets provided be maintained permanently (perpetual in nature) while permitting the Institute to expend the income generated by the assets, in accordance with the provisions of additional donor-imposed stipulations or a Board-approved spending policy. At September 30, 2018, the Institute had contributions with donor restrictions in the amount of $5,577,823.

Cash and Cash Equivalents

The Institute considers all highly liquid debt instruments with original maturities of three months or less to be cash and cash equivalents. Cash and cash equivalents are recorded at cost, which approximates fair market value.

Fair Value Measurements

Accounting Standards Codification (ASC) 820, "Fair Value Measurement," defines fair value, establishes a framework for measuring fair value and expands the disclosures about fair value measurements. ASC 820 defines fair value as 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 in a principal or most advantageous market. Fair value is a market-based measurement that is determined based on inputs, which refer broadly to assumptions that market participants use in pricing assets or liabilities. These inputs can be readily observable, market corroborated, or unobservable. ASC 820 established a fair value hierarchy, which prioritizes the inputs to valuation techniques used to measure fair value in three broad levels. The standard requires that assets and liabilities be classified in their entirety based on the level of input that is significant to the fair value measurement. Assessing the significance of a particular input may require judgment considering factors specific to the asset or liability and may affect the valuation of the asset or liability and their placement within the fair value hierarchy. The Institute classifies fair value balances based on the fair value hierarchy defined by ASC 820 as follows:

Level 1 - Valuations are based on unadjusted quoted prices in active markets for identical assets or liabilities. An active market for the asset or liability is a market in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis. Valuation adjustments and block discounts are not applied to Level 1 instruments.

Level 2 - Valuations are based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

Level 3 - Valuations are based on inputs that are unobservable and significant to the overall fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Investment income is recognized when earned and consists of interest, dividends, and realized and unrealized gains and losses. Dividends are recorded on the ex-dividend date. Purchases and sales are recorded on a trade-date basis.

Contributions Receivable

The Institute reports unconditional promises to give as contributions when pledges are made. If contributions receivable are to be paid to the Institute over a period of years, they are recorded at the present value of their estimated future cash flows using the effective discount rate. See Note 6.

Contributions

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as with donor restrictions. When a donor restriction expires-that is, when a stipulated time restriction ends, or purpose restriction is accomplished—with donor restrictions net assets are reclassified to without donor restrictions net assets and reported in the statement of activities as net assets released from restrictions.

In-kind contributions are reported in the financial statements for voluntary donations of services or goods if those services or goods create or enhance non-financial assets or require specialized skills provided by individuals possessing those skills and which would typically be purchased if not provided by donation.

Donated securities are reported at fair value on the date they are received. The gifts are reported as with donor restrictions 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 the purpose for the restriction is accomplished—net assets are reclassified and reported in the statement of activities as net assets released from restrictions.

Provision for Doubtful Accounts

The Institute provides an allowance for doubtful accounts, when necessary, for accounts that are specifically identified by management as to their uncertainty in regard to collectability. As of September 30, 2018, the allowance for doubtful was $0.

Deferred Rent

Rent expense is recognized on a straight-line basis over the life of the lease. The difference between rent expense recognized and rental payments, as stipulated in the respective lease, is reflected as deferred rent in the consolidating statement of financial position.

Contract Revenue and Deferred Revenue

Revenues derived from government and other contracts are treated as exchange transactions. Revenues are recognized as the Institute incurs the related expenses, up to the maximum award received. All receipts not expended are classified as deferred revenue until such time as they are utilized for their specific purpose.

Other Income

Other income is derived from administrative fees for the Institute's 20-20 Investment Association, a non-profit association of leading global financial firms focused on evaluating investment opportunities in emerging and frontier markets. Revenues are recognized for the period the administrative year relates to. For the period from January 1, 2018 to September 30, 2018, other income was $241,625.

Fixed Assets

Fixed assets are stated at cost. Expenditures for additions, renewals and betterments are capitalized for amounts greater than $1,000, while expenditures for maintenance and repairs are charged to expense as incurred. Leasehold improvements are amortized over five years or the respective lease term, whichever is shorter. Depreciation and amortization are computed on the straight-line basis over the estimated useful lives of the assets and is reported for financial statement purposes, as follows:

Furniture and fixtures	5 years
Computers and equipment	3 years

Impairment of Long-Lived Assets

The Institute reviews long-lived assets, including property and equipment, for impairment whenever events or changes in business circumstances indicate that the carrying amount of an asset may not be fully recoverable. An impairment loss would be recognized when the estimated future cash flows from the use of the asset are less than the carrying amount of that asset. As of September 30, 2018, management believes no impairment of long-lived assets has occurred.

Endowment Funds

The Institute's endowment funds are classified as with donor restrictions net assets. The Institute follows the requirements of the New York Prudent Management of Institutional Funds Act (NYPMIFA) as they relate to their endowment funds, effective upon New York State's enactment of the legislation in September 2010.

The following applies to the endowment funds:

Interpretation of Relevant Law

The Institute has interpreted NYPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the endowment funds, absent explicit donor stipulations to the contrary. As a result of the interpretation, the Institute classifies as with donor restrictions net assets (a) the original value of the gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowments and (c) accumulation of the permanent endowment income made in accordance with the directions of applicable donor instructions.

Investment and Spending Policies

The Institute's current investment and spending policies for endowment assets attempt to provide sufficient income to meet various program and operational expenses, and to extend the pursuit of the Institute's mission in perpetuity. The minimum targeted rate of return on the Institute's investment assets is 6% plus the average rate of U.S. inflation over the previous three calendar years.

Under this policy, the investment performance of the Institute's portfolio will be measured relative to the following benchmarks:

- the Barclays Capital Intermediate Government/Corporate Bond Index as a benchmark for the Institute's fixed income investments
- the 90-day U.S. Treasury Bill and the Consumer Price Index as a benchmark for the Institute's cash and short-term investment assets
- the Standard & Poor's 500 Composite Index, and the Morgan Stanley Capital International (MSCI) Europe, Australia and Far East (EAFE) Index and MSCI Emerging Markets as a benchmark for the Institute's equity investments.

To satisfy its long-term rate-of-return objectives, the Institute relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Institute targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

In 2018, the Institute's Board of Directors approved to appropriate an annual distribution of up to 5% of the net value of the Institute's endowment using a five-year running average of the endowment to cover operating costs. In establishing this policy, the Institute considered the long-term expected return on its endowment. Accordingly, over the long term, the Institute expects the current spending policy to allow its endowment to grow annually.

Income Taxes

The Institute was incorporated in the State of New York and is exempt from federal, state and local income taxes under Section 501(c)(3) of the Internal Revenue Code (the Code), and therefore has made no provision for income taxes in the accompanying consolidating financial statements. In addition, the Institute has been determined by the Internal Revenue Service (IRS) not to be a "private foundation" within the meaning of

Section 509(a) of the Code. There was no unrelated business income for the period from January 1, 2018 to September 30, 2018.

Under ASC 740, "Accounting for Uncertainty in Income Taxes," an organization must recognize the financial statement effects of tax positions taken for tax return purposes when it is more likely than not that the position will not be sustained. The Institute does not believe there are any material uncertain tax positions and, accordingly, it has not recognized any liability for uncertain tax benefits. The Institute has filed IRS Form 990 tax returns, as required, and all other applicable returns in jurisdictions when it is required. For the period from January 1, 2018 to September 30, 2018, there was no interest or penalties recorded or included in the consolidating financial statements. As of September 30, 2018, the years still subject to examination by a taxing authority are 2015 through 2017.

Use of Estimates

The preparation of consolidating financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Concentration of Credit Risk

Financial instruments that potentially subject the Institute to a concentration of credit risk are cash accounts with major financial institutions in excess of Federal Deposit Insurance Corporation (FDIC) insurance limits. These financial institutions have strong credit ratings and management believes that credit risk related to these accounts is minimal.

Foreign Currency Translation

All elements of the consolidating financial statements reflecting the Institute's operations in Brussels and Moscow and the UK are translated into U.S. dollars using applicable exchange rates. For assets and liabilities, this is the rate in effect at the consolidating statement of financial position date. For revenue and expense items, translation is performed using an average based on monthly currency fluctuations.

Foreign currency is translated in accordance with ASC 830, "Foreign Currency Matters." Under the provision of ASC 830, the local currency used in the Institute's foreign operations is considered to be the functional currency of these operations. Translation of the consolidating financial statements of these operations resulted in a translation loss as follows:

September 30, 2018		
Cumulative translation gain adjustment, as of January 1, 2018	$	55,077
Translation adjustment		(17,746)
Cumulative Translation Gain Adjustment, as of September 30, 2018	$	37,331

The cumulative translation gain is included in without donor restrictions net assets.

Functional Allocation Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Management allocates certain expenses from its offices in New York, Brussels and Moscow to the various programs and supporting services based on a ratio of program and supporting services expense to total expenses. The Institute also allocates expenses incurred by the President's office based on the time charged to the various programs.

Recently Adopted Pronouncements

Not-for-Profit Entities (Topic 958) and Health Care Entities (Topic 954) – Presentation of Financial Statements of Not-for-Profit Entities

In August 2016, the FASB issued ASU 2016-14, "Not-for-Profit Entities (Topic 958) and Health Care Entities (Topic 954) – Presentation of Financial Statements of Not-for-Profit Entities." The ASU amends the current reporting model for nonprofit organizations and enhances their required disclosures. The major changes include: (a) requiring the presentation of only two classes of net assets now entitled "net assets without donor restrictions" and "net assets with donor restrictions"; (b) modifying the presentation of underwater endowment funds and related disclosures; (c) requiring the use of the placed in service approach to recognize the expirations of restrictions on gifts used to acquire or construct long-lived assets absent explicit donor stipulations otherwise; (d) requiring that all nonprofits present an analysis of expenses by function and nature in either the statement of activities, a separate statement, or in the notes and disclose a summary of the allocation methods used to allocate costs; (e) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources; (f) presenting investment return net of external and direct expenses; and (g) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of nonprofit financial statements. The ASU is effective for the Institute's consolidating financial statements for fiscal years beginning after December 15, 2017. Management of the Institute has adopted and reflected this pronouncement in these financial statements.

Accounting Pronouncements Issued but Not Yet Adopted

Revenue from Contracts with Customers (Topic 606)

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, "Revenue from Contracts with Customers (Topic 606)," which is a comprehensive new revenue recognition standard that will supersede existing revenue recognition guidance. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The FASB issued ASU 2015-14, which deferred the effective date for the Institute until annual periods beginning after December 15, 2018. Earlier adoption is permitted, subject to certain limitations. The amendments in this update are required to be applied retrospectively to each prior reporting period presented or with the cumulative effect being recognized at the date of initial application. Management is currently evaluating the impact of this ASU on its consolidating financial statements.

Leases (Topic 842)

In February 2016, the FASB issued ASU 2016-02, "Leases (Topic 842)," to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the statement of financial position and disclosing key information about leasing arrangements for lessees and lessors. The new standard applies a right-of-use (ROU) model that requires, for all leases with a lease term of more than 12 months, an asset representing its ROU underlying asset for the lease term and a liability to make lease payments to be recorded. The ASU is effective for the Institute's fiscal years beginning after December 15, 2019, with early adoption permitted. Management is currently evaluating the impact of this ASU on its consolidating financial statements.

4. Liquidity and Availability of Resources

The Institute's financial assets available within one year of the consolidating statement of financial position date for general expenditures are as follows:

September 30, 2018		
Total current assets	$	13,712,170
Less: amounts unavailable for general expenditures within one year, due to:		
Prepaid expenses and other current assets		(184,298)
Restricted by donor with time or purpose restrictions		(8,862,060)
Total Financial Assets Available to Management for General Expenditure Within One Year	$	4,665,812

Liquidity Management

As a part of the Institute's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

5. Fair Value Measurements

The Institute's Level 1 holdings within the hierarchy used in measuring fair value consist of equity securities and U.S. treasury notes that are carried at their market value, which is determined by quoted market prices. Each of the above investments can be liquidated daily. The mutual funds are valued on a daily basis at the close of business day. Each mutual fund's NAV is the value of a single share, which is actively traded on national securities exchanges.

The Institute also has investments in fixed income securities, which include corporate bonds, foreign bonds and U.S. Treasury securities. The investment managers priced these investments using nationally recognized pricing services. Since fixed income securities other than U.S. Treasury securities may not trade on a daily basis, the pricing services prepare estimates of fair value measurements for these securities using its proprietary pricing applications, which include available relevant market information, benchmark curves, benchmarking of similar securities, sector grouping and matrix pricing. These investments are classified as Level 2.

Set forth below are tables of assets measured at fair value as of September 30, 2018:

	Fair Value Measurement at Reporting Date Using			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)	Balance, September 30, 2018
U.S. equities	$ 2,607,219	$ -	$ -	$ 2,607,219
Publicly-traded mutual funds	6,280,420	-	-	6,280,420
U.S. Treasury notes	267,172	-	-	267,172
Nongovernment obligations	-	352,060	-	352,060
Foreign bonds	-	50,704	-	50,704
Obligations of U.S. government corporations and agencies	122,565	-	-	122,565
Total Assets Measured at Fair Value	$ 9,277,376	$ 402,764	$ -	$ 9,680,140

There were no transfers between levels during the period from January 1, 2018 to September 30, 2018.

6. Contributions Receivable, Net

The net present value of contributions receivable was calculated using a discount rate equal to the risk-free interest rate, which is the U.S. Treasury note interest rate in effect at the time contributions were made, and equal in duration to the length of time over which the contributions are expected to be paid.

The following represents future payments due:

Amounts due in:	
2019	$ 2,447,685
2020	50,000
2021	50,000
	2,547,685
Net present value discount ranging from 1.20% to 1.47%	(2,719)
Net Present Value	$ 2,544,966

7. Fixed Assets, Net

Fixed assets, net, stated at cost, consist of the following:

September 30, 2018	
Furniture and fixtures	$ 196,279
Computers and equipment	298,561
Leasehold improvements	651,650
	1,146,490
Less: accumulated depreciation and amortization	(558,272)
	$ 588,218

Depreciation and amortization expense for the period from January 1, 2018 to September 30, 2018 was $105,740 and is included in supporting and program services in the consolidating statement of activities.

8. Net Assets with Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes as of September 30, 2018:

September 30, 2018		
Subject to expenditure for specified purpose:		
Balkans Initiative	$	25,000
Russia		277,592
China		85,000
Pakistan		60,000
Hurford Rapid Response Fund		369,979
Subject to NFP endowment spending policy and appropriation:		
Endowment income		1,216,666
Subject to the passage of time:		
Promises to give that are not restricted by donors, but which are unavailable for expenditure until due		1,250,000
Perpetual in nature		5,577,823
	$	8,862,060

Net assets were released for the following purposes:

September 30, 2018		
Expiration of time restrictions	$	(780,000)
Satisfaction of purpose restrictions:		
Balkans Initiative		(75,000)
Publications		(1,000)
Cyber Security		(688,638)
Russia		(169,908)
China		(165,213)
Pakistan		(16,000)
MENA		(55,000)
Spring Board Meeting		(49,800)
Restricted-purpose spending-rate distributions and appropriations:		
Board approved distribution to cover operating costs		(325,000)
	$	(2,325,559)

The following table represents the reconciliation of changes in net assets with donor restrictions for the period from January 1, 2018 to September 30, 2018:

September 30, 2018		
Net assets with donor restrictions, January 1, 2018	$	19,583,717
Net assets with donor restriction contributed		1,603,902
Net assets with donor restriction released from restriction		(2,325,559)
Loss due to uncollected contribution		(10,000,000)*
Net Assets with Donor Restrictions, September 30, 2018	$	8,862,060

* In December 2016, the Institute received a $10 million pledge to be collected over a 5-year period. This pledge was provided to the Institute to establish the EastWest Institute Center for Peace and Regional Stability in Turkey. Due to the deteriorating economic conditions in Turkey over the past two years, EWI has not received any payments on this pledge. As such, the Institute has recorded a loss due to uncollected contributions in the consolidating statement of activities and has removed the associated purpose and time restriction from net assets with donor restrictions.

9. Commitments

The Institute leases office space under arrangements expiring at various dates through April 30, 2027. The Institute also rents certain equipment under operating lease agreements expiring at various dates through January 2021.

Future minimum annual lease payments are as follows:

September 30,		Occupancy Leases		Equipment Leases
2019	$	549,024	$	7,920
2020		678,632		7,920
2021		692,837		6,600
2022		707,397		-
2023		772,395		-
Thereafter		3,213,240		-
	$	6,613,525	$	22,440

Total rent expense, including rent escalations for facilities for the period from January 1, 2018 to September 30, 2018 of $605,813 was included in the consolidating statement of functional expenses.

In 2012, the Institute established an unsecured letter of credit (LOC) with a bank in the amount of 36,250 Euros maturing on July 31, 2019. The LOC is used as a rental guaranty for the Institute's Brussels office lease. There were no outstanding borrowings as of September 30, 2018.

In 2017, the Institute established an unsecured LOC with a bank in the amount of $270,405, maturing on February 28, 2019. The LOC is automatically renewed on an annual basis until March 31, 2027 unless sixty days written notice is given. The LOC is used as a rental guaranty for the Institute's New York office lease. There were no outstanding borrowings as of September 30, 2018.

10. Contingencies

The Institute enters into contracts under which certain governments provide funding for various activities carried on by the Institute in the United States and in other countries. The expenditure of these funds by the Institute is subject to audit by these governments. Management expects that no material adjustments would result if there were any such audits.

11. Retirement Plan

The Institute has a defined contribution retirement plan (the Plan) under Section 403(b) of the Code. Participating employees make pretax contributions of up to the maximum allowable IRS limitation. The Institute contributes up to 6% of the employee’s annual salary. All employees who are at least 21 years of age are eligible to participate in the Plan. Upon participation in the Plan, employees are 100% vested in the Institute’s contributions. Contribution expense was $106,724 for 2018.

12. In-Kind Contributions

During the period from January 1, 2018 to September 30, 2018, the Institute received donated airline tickets and donated legal fees. The estimated fair value of these in-kind contributions was recorded as revenue and corresponding expenses on the consolidating statement of activities. For the period from January 1, 2018 to September 30, 2018, the Institute received $258,391 of in-kind contributions.

13. Endowment Fund

The Institute maintains a donor-restricted endowment fund (the Endowment Fund) consisting of approximately 20 individual funds that has been established for various purposes and has been classified as with donor restrictions, net assets.

For the period from January 1, 2018 to September 30, 2018, all assets included in the Institute’s Endowment Fund are as follows:

September 30, 2018		
Cash	$	409,800
Fixed income		456,907
Mutual funds		1,301,999
Equity securities		4,625,783
Total	$	6,794,489

The following table provides a reconciliation of beginning and ending balances as of September 30, 2018:

	Subject to NFP Endowment Spending Policy and Appropriation	Perpetual in Nature	Total
Endowment balance, January 1, 2018	$ 1,190,542	$ 5,577,823	$ 6,768,365
Realized and unrealized gains on investments	306,926	-	306,926
Dividend and interest	75,810	-	75,810
Investment fee	(31,612)	-	(31,612)
Release from restriction	(325,000)	-	(325,000)
Endowment Balance, September 30, 2018	$ 1,216,666	$ 5,577,823	$ 6,794,489

14. Subsequent Events

Management has performed subsequent events procedures through February 11, 2019, which is the date that the financial statements were available to be issued. Except as discussed in Note 1 pertaining to EastWest Institute UK that was subsequently dissolved on November 20, 2018, there were no other subsequent events requiring adjustments to the financial statements or disclosures as stated herein.