Center for Innovative Governance Research
DBA Charter Cities Institute

Financial Statements
and Independent Auditor's Report

December 31, 2021

Center for Innovative Governance Research
DBA Charter Cities Institute

Financial Statements
December 31, 2021

Contents

Independent Auditor's Report........ 1-3

Financial Statements

Statement of Financial Position........ 4
Statement of Activities........ 5
Statement of Functional Expenses........ 6
Statement of Cash Flows........ 7
Notes to Financial Statements........ 8-13

ROGERS & COMPANY

Rogers & Company PLLC
Certified Public Accountants

8300 Boone Boulevard
Suite 600
Vienna, Virginia 22182

703.893.0300 voice
703.893.4070 facsimile
www.rogerspllc.com

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Center for Innovative Governance Research DBA Charter Cities Institute

Opinion

We have audited the accompanying financial statements of Center for Innovative Governance Research DBA Charter Cities Institute ("the Institute"), which comprise the statement of financial position as of December 31, 2021; the related statements of activities, functional expenses, and cash flows for the year then ended; and the related notes to the financial statements.

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

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Institute and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of 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.

Responsibilities of Management for the Financial Statements (continued)

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

Auditor's 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 generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Institute's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Institute's ability to continue as a going concern for a reasonable period of time.

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

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.

Rogers + Company PLLC

Vienna, Virginia
October 18, 2022

Center for Innovative Governance Research
DBA Charter Cities Institute

Statement of Financial Position
December 31, 2021

Assets	
Cash	$ 2,618,392
Investments	2,965,777
Deposits	17,653
Total assets	$ 5,601,822
Liabilities and Net Assets	
Liabilities	
Accounts payable and accrued expenses	$ 51,173
Deferred rent	25,550
Total liabilities	76,723
Net Assets	
Without donor restrictions	5,525,099
Total net assets	5,525,099
Total liabilities and net assets	$ 5,601,822

Center for Innovative Governance Research
DBA Charter Cities Institute

Statement of Activities
For the Year Ended December 31, 2021

Revenue and Support	
Contributions	$ 6,061,289
Other income	3,560
Investment return, net	117,360
Total revenue and support	6,182,209
Expenses	
Program services	1,141,804
Supporting services:	
Management and general	321,194
Fundraising	282,267
Total supporting services	603,461
Total expenses	1,745,265
Change in Net Assets	4,436,944
Net Assets, beginning of year	1,088,155
Net Assets, end of year	$ 5,525,099

See accompanying notes.

Center for Innovative Governance Research
DBA Charter Cities Institute

Statement of Functional Expenses
For the Year Ended December 31, 2021

	Program Services	Supporting Services: Management and General	Supporting Services: Fundraising	Supporting Services: Total Supporting Services	Total
Advertising and marketing	$ 50,297	$ 8,383	$ 8,383	$ 16,766	$ 67,063
Bank fees	-	2,412	-	2,412	2,412
Books	7,483	1,247	1,247	2,494	9,977
Conference	32,600	-	-	-	32,600
Contractors	165,950	75,334	6,506	81,840	247,790
Dues and subscriptions	30,253	5,042	5,042	10,084	40,337
Grants and contributions	23,729	-	-	-	23,729
Home office expense	986	164	164	328	1,314
Insurance	-	2,149	-	2,149	2,149
Internships	47,773	-	10,058	10,058	57,831
Legal and professional services	-	39,561	-	39,561	39,561
Meals and entertainment	19,251	3,208	3,208	6,416	25,667
Office supplies and software	28,125	4,687	4,687	9,374	37,499
Other business expenses	1,260	217	210	427	1,687
Personnel	558,574	159,619	172,792	332,411	890,985
Printing and shipping	-	1,165	-	1,165	1,165
Professional development	11,985	1,998	1,998	3,996	15,981
Recruiting	87,446	7,363	7,363	14,726	102,172
Reimbursable expenses	200	33	33	66	266
Rent	21,148	6,401	9,701	16,102	37,250
Travel	47,559	-	47,559	47,559	95,118
Utilities	7,185	2,211	3,316	5,527	12,712
Total Expenses	$ 1,141,804	$ 321,194	$ 282,267	$ 603,461	$ 1,745,265

See accompanying notes.

Center for Innovative Governance Research
DBA Charter Cities Institute

Statement of Cash Flows
For the Year Ended December 31, 2021

Cash Flows from Operating Activities	
Change in net assets	$ 4,436,944
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Unrealized gain on investments	(89,653)
Change in operating assets and liabilities:	
Increase in:	
Deposits	(17,653)
Increase in:	
Accounts payable and accrued expenses	49,298
Deferred rent	25,550
Net cash provided by operating activities	4,404,486
Cash Flows from Investing Activity	
Purchases of investments	(2,876,124)
Net cash used in investing activity	(2,876,124)
Net Increase in Cash	1,528,362
Cash, beginning of year	1,090,030
Cash, end of year	$ 2,618,392

1. Nature of Operations

The Center for Innovative Governance Research DBA Charter Cities Institute ("the Institute") is a nonprofit organization exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC), and was incorporated on October 30, 2017 in the State of Nevada. The Institute is dedicated to building the ecosystem for charter cities. It was founded on the idea that a fresh approach was necessary to tackle humanity's most pressing challenges: global poverty, rapid urbanization, and conflict and migration caused by poverty, war, and climate change.

2. Summary of Significant Accounting Policies

Basis of Accounting and Presentation

The Institute's financial statements are prepared on the accrual basis of accounting. Net assets are reported based on the presence or absence of donor-imposed restrictions in the following classes:

- *Net Assets Without Donor Restrictions* – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

- *Net Assets With Donor Restrictions* – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be 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 for which the resource was restricted has been fulfilled, or both.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

2. Summary of Significant Accounting Policies (continued)

Investments

Investments are recorded at fair value. All realized and unrealized gains and losses are included in the accompanying statement of activities. Donated investments are recorded at their fair value on the date of receipt and immediately sold.

Revenue Recognition

The Institute recognizes contributions when cash, securities, or other assets, or an unconditional promise to give, is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met.

Revenue from all other sources is recognized when earned.

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Therefore, expenses require allocation on a reasonable basis that is consistently applied. Expenses that are allocated include occupancy, which is allocated on a square footage basis, as well as salaries and wages, benefits, payroll taxes, professional services, office expenses, information technology, insurance, and other, which are allocated on the basis of estimates of time and effort.

Recently Issued Accounting Pronouncement

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update 2016-02, *Leases.* The update requires a lessee to recognize a right-of-use asset and lease liability, initially measured at the present value of the lease payments, in its statement of financial position. The guidance also expands the required quantitative and qualitative lease disclosures. The guidance is effective beginning in 2022.

2. Summary of Significant Accounting Policies (continued)

Subsequent Events

In preparing these financial statements, the Institute has evaluated events and transactions for potential recognition or disclosure through October 18, 2022, the date the financial statements were available to be issued.

3. Liquidity and Availability

Financial assets available for general expenditures, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise of the following at December 31, 2021:

Cash	$ 2,618,392
Investments	2,965,777
Total available for general expenditures	$ 5,584,169

4. Concentration of Credit Risk

Financial instruments that potentially subject the Institute to significant concentrations of credit risk consist of cash and investments. The Institute maintains cash deposit and transaction accounts, along with investments, with various financial institutions and these values, from time to time, exceed insurable limits under the Federal Deposit Insurance Corporation (FDIC) and Securities Investor Protection Corporation (SIPC). The Institute has not experienced any credit losses on its cash and investments to date as it relates to FDIC and SIPC insurance limits. Management periodically assesses the financial condition of these financial institutions and believes that the risk of any credit loss is minimal.

5. Investments and Fair Value Measurements

The Institute follows FASB Accounting Standards Codification 820, *Fair Value Measurements and Disclosures,* for its financial assets. This standard establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value, and requires an entity to maximize the use of observable inputs (such as quoted prices in active markets) and minimize the use of unobservable inputs (such as appraisals or other valuation techniques) to determine fair value.

5. Investments and Fair Value Measurements (continued)

The categorization of a financial instrument within the hierarchy is based upon the pricing transparency of the instrument and does not necessarily correspond to the entity's perceived risk of that instrument.

The inputs used in measuring fair value are categorized into three levels. Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and liabilities and have the highest priority. Level 2 is based upon observable inputs other than quoted market prices, and Level 3 is based on unobservable inputs. The Institute recognizes transfers between levels in the fair value hierarchy at the end of the reporting period.

In general, and where applicable, the Institute uses quoted prices in active markets for identical assets to determine fair value. This pricing methodology applies to Level 1 investments.

The following table presents the Institute's fair value hierarchy for those investments measured on a recurring basis at December 31, 2021:

	Level 1	Level 2	Level 3	Total fair value
Exchange traded funds:				
Domestic equity:				
Large cap	$ 1,360,014	$ -	$ -	$ 1,360,014
Small cap	407,833	-	-	407,833
Foreign equity:				
Emerging markets	550,533	-	-	550,533
Domestic fixed income:				
U.S. aggregate bond fund	647,397	-	-	647,397
Total investments	$ 2,965,777	$ -	$ -	$ 2,965,777

Net investment return consists of the following for the year ended December 31, 2021:

Interest and dividend income	$ 27,707
Realized and unrealized gain	89,653
Investment return, net	$ 117,360

5. Investments and Fair Value Measurements (continued)

The Institute's investment portfolio is not actively managed, rather it is self-directed; therefore, the Institute did not incur any investment fees for the year ended December 31, 2021.

6. Commitments and Contingencies

Operating Leases

The Institute leases office space in Washington, D.C. that commenced on June 1, 2021 and is set to expire on October 30, 2024. The lease calls for base monthly payments of $5,851 with annual escalations of 2.5%. In addition, the lease contains a lease incentive in the form of a five-month rental abatement.

Future minimum lease payments under the lease are due as follows at December 31:

2022	$ 71,233
2023	73,014
2024	62,238
Future minimum lease payments	$ 206,485

Rent expense totaled $37,250 for the year ended December 31, 2021.

7. Related Party Transactions

The Institute formed a separate company incorporated under the laws of the Republic of Zambia. The Institute shares two common Board members but has no controlling interest in this company, but has an agreement in place to provide general purpose grants and support operations. For the year ended December 31, 2021, the Institute made unconditional commitments totaling $20,729, which are included in grants and contributions expense in the accompanying statement of functional expenses.

8. Retirement Plan

The Institute maintains a 401(k) plan. The plan covers substantially all employees who meet certain age and vesting requirements. The plan allows for discretionary employer matching contributions. Employer contributions to the plan totaled $116,546 for the year ended December 31, 2021 and are included in personnel expenses in the accompanying statement of functional expenses.

9. Income Taxes

The Institute is exempt from payment of taxes on income other than net unrelated business income under IRC Section 501(c)(3), and qualifies to receive charitable donations under IRC Section 170(b)(1)(A)(vi). The Institute is considered a disregarded LLC for tax purposes and is also exempt from payment of income taxes other than unrelated business income. No tax expense is recorded in the accompanying financial statements, as there was no net unrelated business taxable income. Management has evaluated the Institute's tax positions and concluded that the financial statements do not include any uncertain tax positions.