

**Center for Innovative Governance Research
DBA Charter Cities Institute**

Financial Statements
and Independent Auditor's Report

December 31, 2024 and 2023

**Center for Innovative Governance Research
DBA Charter Cities Institute**

Financial Statements
December 31, 2024 and 2023

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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 statements of financial position as of December 31, 2024 and 2023; 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 financial statements referred to above present fairly, in all material respects, the financial position of the Institute as of December 31, 2024 and 2023, 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. 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 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.

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
April 24, 2025

**Center for Innovative Governance Research
DBA Charter Cities Institute**

Statements of Financial Position
December 31, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Assets		
Cash	\$ 1,165,683	\$ 1,071,619
Investments	2,007,428	2,732,356
Contributions receivable	-	327,284
Prepaid expenses and deposits	2,172	18,002
Right-of-use asset – operating lease	-	53,095
 Total assets	 <u>\$ 3,175,283</u>	 <u>\$ 4,202,356</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 6,946	\$ 3,855
Refundable advance	452,046	-
Lease liability – operating lease	-	62,391
 Total liabilities	 <u>458,992</u>	 <u>66,246</u>
Net Assets		
Without donor restrictions	<u>2,716,291</u>	<u>4,136,110</u>
 Total net assets	 <u>2,716,291</u>	 <u>4,136,110</u>
 Total liabilities and net assets	 <u>\$ 3,175,283</u>	 <u>\$ 4,202,356</u>

**Center for Innovative Governance Research
DBA Charter Cities Institute**

Statements of Activities
For the Years Ended December 31, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Revenue and Support		
Contributions	\$ 1,105,836	\$ 2,177,173
Other income	9,711	54,803
Sponsorships	-	27,284
Investment return	<u>145,134</u>	<u>201,318</u>
Total revenue and support	<u>1,260,681</u>	<u>2,460,578</u>
Expenses		
Program services	<u>1,832,384</u>	<u>2,009,269</u>
Supporting services:		
Management and general	407,746	354,076
Fundraising	<u>440,370</u>	<u>353,134</u>
Total supporting services	<u>848,116</u>	<u>707,210</u>
Total expenses	<u>2,680,500</u>	<u>2,716,479</u>
Change in Net Assets	(1,419,819)	(255,901)
Net Assets, beginning of year	<u>4,136,110</u>	<u>4,392,011</u>
Net Assets, end of year	<u>\$ 2,716,291</u>	<u>\$ 4,136,110</u>

**Center for Innovative Governance Research
DBA Charter Cities Institute**

**Statement of Functional Expenses
For the Year Ended December 31, 2024**

	Program Services	Supporting Services			Total Supporting Services	Total	
		Management and General		Fundraising			
Advertising and marketing	\$ 22,447	\$ 7,382	\$ 35	\$ 7,417	\$ 29,864		
Bank fees	-	869	-	-	869	869	
Books	1,550	1,949	238	2,187		3,737	
Conferences and events	139,565	5,139	11,381	16,520		156,085	
Contractors	47,940	2,625	5,575	8,200		56,140	
Dues and subscriptions	31,241	8,288	6,066	14,354		45,595	
Grants and contributions	88,736	-	-	-		88,736	
Insurance, licenses, and permits	7,976	2,253	2	2,255		10,231	
Internships	29,140	-	-	-		29,140	
Legal and professional services	-	45,746	9,679	55,425		55,425	
Meals and entertainment	10,046	4,022	4,104	8,126		18,172	
Office supplies and software	13,317	2,726	2,045	4,771		18,088	
Other business expenses	100	-	-	-		100	
Personnel	1,283,211	278,427	336,063	614,490		1,897,701	
Printing and shipping	1,713	369	39	408		2,121	
Professional development	5,940	9,500	-	9,500		15,440	
Recruiting	212	224	-	224		436	
Rent	3,388	3,491	3,388	6,879		10,267	
Travel	144,113	32,934	60,006	92,940		237,053	
Utilities	1,749	1,802	1,749	3,551		5,300	
Total Expenses	\$ 1,832,384	\$ 407,746	\$ 440,370	\$ 848,116		\$ 2,680,500	

**Center for Innovative Governance Research
DBA Charter Cities Institute**

**Statement of Functional Expenses
For the Year Ended December 31, 2023**

	Program Services	Supporting Services			Total Supporting Services	Total
		Management and General	Fundraising	Total		
Advertising and marketing	\$ 9,052	\$ -	\$ -	\$ -	\$ -	\$ 9,052
Bank fees	-	440	-	-	440	440
Books	2,748	708	708	1,416	-	4,164
Conferences and events	155,730	-	-	-	-	155,730
Contractors	117,666	19,272	38,231	57,503	-	175,169
Dues and subscriptions	36,784	9,626	9,396	19,022	-	55,806
Grants and contributions	198,000	50	-	50	-	198,050
Insurance, licenses, and permits	-	1,780	-	1,780	-	1,780
Internships	28,762	3,196	-	3,196	-	31,958
Legal and professional services	8,432	44,261	16,661	60,922	-	69,354
Meals and entertainment	17,026	-	4,256	4,256	-	21,282
Office supplies and software	32,568	8,389	8,389	16,778	-	49,346
Other business expenses	83	71	16	87	-	170
Personnel	1,084,573	247,674	225,922	473,596	-	1,558,169
Printing and shipping	44,659	395	383	778	-	45,437
Professional development	31,655	-	-	-	-	31,655
Recruiting	5,204	1,340	1,340	2,680	-	7,884
Rent	48,202	12,050	4,017	16,067	-	64,269
Travel	168,830	-	42,207	42,207	-	211,037
Utilities	19,295	4,824	1,608	6,432	-	25,727
Total Expenses	\$ 2,009,269	\$ 354,076	\$ 353,134	\$ 707,210	\$ 2,716,479	

**Center for Innovative Governance Research
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**Statements of Cash Flows
For the Years Ended December 31, 2024 and 2023**

	2024	2023
Cash Flows from Operating Activities		
Change in net assets	\$ (1,419,819)	\$ (255,901)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Unrealized gain on investments	(134)	(76,185)
Amortization of right-of-use asset – operating lease	53,095	62,700
Change in operating assets and liabilities:		
Decrease in:		
Contributions receivable	327,284	272,716
Prepaid expenses and deposits	15,830	19,227
Increase (decrease) in:		
Accounts payable and accrued expenses	3,091	(11,168)
Refundable advance	452,046	-
Lease liability – operating lease	(62,391)	(71,987)
Net cash used in operating activities	<u>(630,998)</u>	<u>(60,598)</u>
Cash Flows from Investing Activities		
Proceeds from sales of investments	900,000	311,194
Purchases and reinvested interest and dividends of investments	<u>(174,938)</u>	<u>-</u>
Net cash provided by investing activities	<u>725,062</u>	<u>311,194</u>
Net Increase in Cash	94,064	250,596
Cash, beginning of year	<u>1,071,619</u>	<u>821,023</u>
Cash, end of year	<u><u>\$ 1,165,683</u></u>	<u><u>\$ 1,071,619</u></u>

**Center for Innovative Governance Research
DBA Charter Cities Institute**

Notes to Financial Statements
December 31, 2024 and 2023

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.

**Center for Innovative Governance Research
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Notes to Financial Statements
December 31, 2024 and 2023

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 statements of activities. Donated investments are recorded at their fair value on the date of receipt and immediately sold.

Contributions Receivable

Contributions receivable represent unconditional amounts committed to the Institute. Amounts expected to be received within one year are recorded at their face amount, which is estimated to approximate fair value. Amounts expected to be received in future years are recorded at the present value of their estimated future cash flows. Amortization of the present value adjustment is included in contributions. The Institute periodically reviews an aging of its contributions receivable for collection purposes on a case-by-case basis and writes off uncollectable items. The Institute's policy is to charge-off uncollectible amounts when management determines the receivable will not be collected. Management believes that all contributions receivable are due within one year and are collectible at December 31, 2024 and 2023, and accordingly, no allowance for uncollectible contributions has been established.

Operating Lease

The Institute determines if an arrangement is a lease at inception. Leases are included in right-of-use (ROU) assets, which represent the Institute's right to use an underlying asset for the lease terms, and lease liabilities represent the Institute's obligation to make lease payments arising from the lease. ROU lease assets and liabilities are recognized at the commencement date based on the present value of lease payments over the lease term. As the Institute's lease does not provide an implicit rate, the Institute used a risk-free rate based on the information available at the commencement date in determining the present value of lease payments.

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Notes to Financial Statements
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2. Summary of Significant Accounting Policies (continued)

Operating Lease (continued)

The ROU assets also include any lease payments made and exclude lease incentives. The Institute's lease terms may include options to extend or terminate the lease when it is reasonably certain that the Institute will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

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 statements of activities. The statements of functional expenses present 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.

Subsequent Events

In preparing these financial statements, the Institute has evaluated events and transactions for potential recognition or disclosure through April 24, 2025, the date the financial statements were available to be issued.

**Center for Innovative Governance Research
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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 statements of financial position date, are comprised of the following at December 31:

	<u>2024</u>	<u>2023</u>
Cash	\$ 1,165,683	\$ 1,071,619
Investments	2,007,428	2,732,356
Contributions receivable	<u>-</u>	<u>327,284</u>
Total available for general expenditures	<u>\$ 3,173,111</u>	<u>\$ 4,131,259</u>

4. Concentrations 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 Financial Accounting Standards Board issued 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.

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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:

	Level 1	Level 2	Level 3	Total fair value
<u>2024:</u>				
Mutual fund:				
U.S. Treasury bills	\$ 2,007,428	\$ -	\$ -	\$ 2,007,428
Total investments	<u>\$ 2,007,428</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,007,428</u>
<u>2023:</u>				
Mutual fund:				
U.S. Treasury bills	\$ 2,732,356	\$ -	\$ -	\$ 2,732,356
Total investments	<u>\$ 2,732,356</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,732,356</u>

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Notes to Financial Statements
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5. Investments and Fair Value Measurements (continued)

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

	<u>2024</u>	<u>2023</u>
Interest and dividend income	\$ 145,000	\$ 125,133
Realized and unrealized gain	<u>134</u>	<u>76,185</u>
Total investment return	<u>\$ 145,134</u>	<u>\$ 201,318</u>

The Institute's investment portfolio is not actively managed, rather it is self-directed; therefore, the Institute did not incur any investment fees for both years ended December 31, 2024 and 2023.

6. Commitments and Contingencies

Operating Lease

The Institute leases office space in Washington, D.C. under an operating lease that commenced on June 1, 2021 and expired on October 30, 2024. The lease called for base monthly payments of \$5,851 with annual escalations of 2.5%. In addition, the lease contained a lease incentive in the form of a five-month rental abatement. Other supplemental qualitative information related to the operating lease is as follows at December 31:

	<u>2024</u>	<u>2023</u>
Cash paid for amounts included in the measurement of lease liability – operating cash flows	\$ 62,826	\$ 73,522
Weighted-average remaining lease term (in years)	-	0.8
Weighted-average discount rate	1.51%	1.51%

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Notes to Financial Statements
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7. Related Party Transactions

Members of the Institute formed a completely separate company incorporated under the laws of the Republic of Zambia. The Institute shares two common board members but has no legal, financial, or other interest in this company. For the years ended December 31, 2024 and 2023, the Institute made unconditional commitments totaling \$88,736 and \$198,000, respectively, which are included in grants and contributions expense in the accompanying statements 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 \$64,463 and \$45,032 for the years ended December 31, 2024 and 2023, respectively, and are included in personnel expenses in the accompanying statements 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.