

**OBSERVER RESEARCH FOUNDATION AMERICA**  
**FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2021**

**TABLE OF CONTENTS**

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	3 - 4
FINANCIAL STATEMENTS	
Statement of Financial Position	5
Statement of Activities	6
Statement of Functional Expenses	7
Statement of Cash Flows	8
NOTES TO THE FINANCIAL STATEMENTS	9 - 11



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June 21, 2022

## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors  
Observer Research Foundation America

### **Opinion**

We have audited the accompanying financial statements of Observer Research Foundation America (a nonprofit organization), which comprise the statement of financial position as of December 31, 2021, and 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 Observer Research Foundation America 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 Observer Research Foundation America and to meet our other ethical responsibilities 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.

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 Observer Research Foundation America'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 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 Observer Research Foundation America'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 evaluating 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 Observer Research Foundation America'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.

*PBG Financial Services, PLLC*  
PBG Financial Services, PLLC

**OBSERVER RESEARCH FOUNDATION AMERICA**  
**STATEMENT OF FINANCIAL POSITION**  
**DECEMBER 31, 2021**

**ASSETS**

<b>CURRENT ASSETS</b>	
Cash	\$ 1,080,297
Grants receivable	<u>70,000</u>
Total Current Assets	<u>1,150,297</u>
<b>OTHER ASSETS</b>	
Security deposit	<u>80,657</u>
	<u><u>\$ 1,230,954</u></u>

**LIABILITIES AND NET ASSETS**

<b>CURRENT LIABILITIES</b>	
Accounts payable and accrued expenses	<u>\$ 20,427</u>
Total Current Liabilities	<u>20,427</u>
<b>LONG-TERM LIABILITIES</b>	
Deferred rent	<u>26,227</u>
<b>NET ASSETS</b>	
Without donor restrictions	508,293
With donor restrictions	<u>676,007</u>
Total Net Assets	<u>1,184,300</u>
	<u><u>\$ 1,230,954</u></u>

The accompanying notes are an integral part of these financial statements.

**OBSERVER RESEARCH FOUNDATION AMERICA  
STATEMENT OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2021**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>REVENUES, GAINS, AND OTHER SUPPORT</b>			
Contribution income	\$ 1,658,640	\$ 676,007	\$ 2,334,647
Net investment income	<u>18</u>	<u>-</u>	<u>18</u>
<b>TOTAL REVENUES, GAINS, AND OTHER SUPPORT</b>	<u>1,658,658</u>	<u>676,007</u>	<u>2,334,665</u>
<b>FUNCTIONAL EXPENSES</b>			
Program services	891,239	-	891,239
Management and general	340,674	-	340,674
Fundraising	<u>70,585</u>	<u>-</u>	<u>70,585</u>
<b>TOTAL FUNCTIONAL EXPENSES</b>	<u>1,302,498</u>	<u>-</u>	<u>1,302,498</u>
<b>INCREASE IN NET ASSETS</b>	356,160	676,007	1,032,167
<b>NET ASSETS - Beginning of year</b>	<u>152,133</u>	<u>-</u>	<u>152,133</u>
<b>NET ASSETS - End of year</b>	<u><u>\$ 508,293</u></u>	<u><u>\$ 676,007</u></u>	<u><u>\$ 1,184,300</u></u>

The accompanying notes are an integral part of these financial statements.

**OBSERVER RESEARCH FOUNDATION AMERICA  
STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED DECEMBER 31, 2021**

<b>PROGRAM SERVICES</b>	
Office supplies and business related expenses	\$ 9,298
Outreach and conventions	12,195
Outside contractors	32,910
Payroll, related benefits and payroll taxes	666,437
Project costs	170,399
	<hr/>
Total program services	891,239
	<hr/>
<b>MANAGEMENT AND GENERAL</b>	
Accounting	10,438
Advertising and promotion	190
Bank charges	89
Dues and subscriptions	1,119
Insurance	1,615
Office supplies and business related expenses	79,831
Outreach and conventions	5,535
Outside contractors	12,670
Payroll, related benefits and payroll taxes	185,222
Payroll fees	1,685
Professional fees	9,182
Project costs	3,981
Rent	26,227
Virtual meeting platform	2,890
	<hr/>
Total management and general	340,674
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<b>FUNDRAISING</b>	
Office supplies and business related expenses	4,559
Outreach and conventions	890
Payroll, related benefits and payroll taxes	64,867
Project costs	269
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Total fundraising	70,585
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<b>TOTAL FUNCTIONAL EXPENSES</b>	<b>\$ 1,302,498</b>
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The accompanying notes are an integral part of these financial statements.

**OBSERVER RESEARCH FOUNDATION AMERICA**  
**STATEMENT OF CASH FLOWS**  
**YEAR ENDED DECEMBER 31, 2021**

CASH FLOWS FROM OPERATING ACTIVITIES	
Increase in net assets	\$ 1,032,167
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Changes in:	
Accounts receivable	(70,000)
Security deposit	(80,657)
Accounts payable and accrued expenses	20,427
Deferred rent	<u>26,227</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES AND INCREASE IN CASH	928,164
CASH - beginning of year	<u>152,133</u>
CASH - end of year	<u><u>\$ 1,080,297</u></u>

The accompanying notes are an integral part of these financial statements.



**OBSERVER RESEARCH FOUNDATION AMERICA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021**

**1. ORGANIZATION AND NATURE OF ACTIVITIES**

Observer Research Foundation America (ORF America), incorporated in the District of Columbia in August 2020, is an independent, non-partisan, and not-for-profit organization dedicated to addressing policy challenges facing the United States of America, India and their partners in a changing world environment. ORF America received its initial funding in December 2020. ORF produces research, provides platforms and develops networks for cooperation between the developed and developing worlds based on common values and shared interests. Its areas of focus are international affairs, technology, climate and energy, and economics.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (US GAAP).

Use of Estimates

The preparation of financial statements in accordance with US GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. A significant estimate is the allocation of functional expenses between program services, management and general and fundraising.

Basis of Presentation

ORF America reports its financial position and activities in two classes of net assets: net assets without donor restrictions, and net assets with donor restrictions. Donor restrictions may be met either by actions of ORF America or the passage of time.

As of December 31, 2021, net assets with donor restrictions were for the following programs:

Asian Democracy Network (AND) - Democratic cooperation	\$ 10,000
Climate Works - Energy transitions	22,500
Dutch MFA Global South Project - cyber security in developing world	236,880
EWI Salary Support - salary support for transferred employees	106,836
Microsoft - Raisina dialogue 2021 and CyFy 2021	25,000
PepsiCo - USA pavilion at Expo 2020 (leadership development)	<u>274,791</u>
Total	<u><u>\$ 676,007</u></u>

Contributions and Unconditional Promises to Give

Unconditional contributions are recognized when the donor makes a promise to give to ORF America that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the year in which the contributions are recognized. All other donor-restricted contributions may be reported as increases in net assets with donor restrictions depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without restrictions. ORF America had no unconditional promises to give as of December 31, 2021.

ORF America records noncash contributions, if applicable, at their fair value at the date of contribution, when there is an objective basis available to measure fair value.

**OBSERVER RESEARCH FOUNDATION AMERICA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Grants receivable

Accounts receivable as of December 31, 2021, represent outstanding amounts from donors for specific programs.

Contributed Services

No amounts have been reflected in the financial statements for donated services because the services do not meet the criteria for recognition as contributed services.

Income Taxes

ORF America is a not-for-profit corporation that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and is classified by the Internal Revenue Service as other than a private organization.

Cost Allocation and Functional Expenses

ORF America incurs program, management and general, and fundraising costs. Directly identifiable expenses are charged to the appropriate program or support service. Certain expenses are allocated between the three functional areas based on an estimate of time and effort.

Subsequent Events

Management evaluated subsequent events for recognition or disclosure through June 21, 2022, the date the financial statements were available to be issued.

**3. CREDIT RISK CONCENTRATION**

Financial instruments which potentially subject ORF America to concentrations of credit risk are cash accounts. The Federal Deposit Insurance Corporation insures accounts up to \$250,000 per financial institution. As of December 31, 2021, ORF America had approximately \$830,000 of uninsured balances.

Of ORF America's total contribution income, four funders provide approximately 34%, 21%, 17% and 14% of the total income for the year ended December 31, 2021.

**4. DEFERRED RENT AND OPERATING LEASE**

ORF America entered into a lease agreement for office space in downtown Washington D.C. effective October 29, 2021. The lease agreement called for a security deposit of \$80,657 and the first eight months of the lease were rent-free. Thereafter, there was a stepped up rent schedule with payments starting at \$13,443 per month and increasing by incremental amounts through October 31, 2027. As a result of the rent schedule, rent expenses for the year ended December 31, 2021 was \$26,227 and a deferred rent liability of the same amount was recorded as of December 31, 2021.

**OBSERVER RESEARCH FOUNDATION AMERICA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2021**

**4. DEFERRED RENT AND OPERATING LEASE (Continued)**

Future minimum rent payments are scheduled as follows:

Year ending <u>December 31,</u>	
2022	\$ 81,331
2023	166,047
2024	170,180
2025	174,434
2026	178,045
Thereafter	<u>121,670</u>
	<u><u>\$ 891,707</u></u>

**5. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS**

The following reflects ORF America's financial assets as of the balance sheet date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the balance sheet date.

Financial assets at year-end	\$ 1,230,954
Less those unavailable for general expenditures within one year, due to:	
Donor-restricted for scholarships and training	<u>676,007</u>
Financial assets available to meet cash needs for general expenditures within one year	<u><u>\$ 554,947</u></u>

**6. COVID-19**

Due to the worldwide outbreak of COVID-19, there remains significant uncertainty regarding international, national and local economies. ORF America commenced its programming in 2021, which initially was all on-line as a result of the pandemic. Travel and related expenses were less. Going forward, the effect of the pandemic on ORF America is uncertain, but it may impact ORF America's revenue, gains and other support. There may be a reduction in contribution income and investment income, which will, in turn, negatively impact ORF America's ability to fund its program services goals. At this point, the extent to which COVID-19 may ultimately impact ORF America's financial condition or results of operations is uncertain.