

Financial Statements and Report of
Independent Certified Public
Accountants

National Endowment for Democracy

September 30, 2024 and 2023

Contents

	Page
Report of Independent Certified Public Accountants	3
Financial Statements	
Balance sheets	6
Statement of activities	7
Statement of functional expenses	8
Statements of cash flows	9
Notes to financial statements	10
Supplementary Information	
Schedule of indirect cost rate and schedule of fringe benefit rate	23

GRANT THORNTON LLP

1000 Wilson Blvd., Suite 1500
Arlington, VA 22209

D +1 703 847 7500

F +1 703 848 9580

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors
National Endowment for Democracy

Opinion

We have audited the financial statements of National Endowment for Democracy (the "Endowment"), which comprise the balance sheet as of September 30, 2024, 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 accompanying financial statements present fairly, in all material respects, the financial position of the Endowment as of September 30, 2024, 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 of the financial statements in accordance with auditing standards generally accepted in the United States of America (US GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Endowment 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.

Other matter

The financial statements of the Endowment as of and for the year ended September 30, 2023 were audited by other auditors who expressed an unmodified opinion on those financial statements in their report dated March 4, 2024.

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 the Endowment's ability to continue as a going concern for one year after the date 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 US GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with US GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Endowment'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 Endowment'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.

Supplementary information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of indirect cost rate and schedule of fringe benefit rate for the year ended September 30, 2024 is presented for purposes of additional analysis and is not a required part of the financial statements. Such supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures. These additional procedures included comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other

additional procedures in accordance with US GAAS. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Grant Thornton LLP

Arlington, Virginia
March 3, 2025

National Endowment for Democracy

BALANCE SHEETS

As of September 30, 2024 and 2023

	2024	2023
ASSETS		
Cash and cash equivalents	\$ 6,902,660	\$ 27,733,805
Investments	5,879,298	5,770,862
Grants receivable from the U.S. Department of State	21,199,876	14,319,431
Other receivables	128,251	158,266
Prepaid and other assets	6,118,962	6,339,143
Property and equipment, net	8,163,164	9,260,892
Right-of-use asset	58,105,880	62,494,731
Total assets	\$ 106,498,091	\$ 126,077,130
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued liabilities	\$ 3,586,493	\$ 3,708,360
Grants payable	10,698,430	14,885,397
Refundable advances, due to U.S. Department of State	2,932,467	14,052,706
Lease liabilities, net	82,217,770	87,422,764
	99,435,160	120,069,227
Commitments and contingency (Notes 6 and 12)		
Net assets		
Without donor restrictions:		
General unrestricted funds	6,281,930	5,169,774
Board-designated funds:		
Fund for Democracy in the 21st Century	145,400	145,350
	6,427,330	5,315,124
With donor restrictions	635,601	692,779
	7,062,931	6,007,903
Total liabilities and net assets	\$ 106,498,091	\$ 126,077,130

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

National Endowment for Democracy

STATEMENT OF ACTIVITIES

For the year ended September 30, 2024
(With summarized comparative information for 2023)

	2024			2023 Total
	Without Donor Restrictions	With Donor Restrictions	Total	
Support and revenue				
Grant revenue - U.S. government	\$ 354,129,218	\$ -	\$ 354,129,218	\$ 362,047,237
Grant revenue - other sources	-	100,000	100,000	215,000
Contributions	598,923	258,320	857,243	660,165
Other revenue, investment and miscellaneous income	1,452,980	-	1,452,980	206,375
Net assets released from restrictions	415,498	(415,498)	-	-
Total support and revenue	356,596,619	(57,178)	356,539,441	363,128,777
Expenses				
Program services				
Federal programs and activities				
Federal grants programs	311,987,608	-	311,987,608	320,414,798
Endowment initiatives	7,279,896	-	7,279,896	7,165,581
Emergency response	-	-	-	314,287
Other nonfederal activities	1,156,749	-	1,156,749	1,003,567
Total program services	320,424,253	-	320,424,253	328,898,233
Supporting services				
Management and general	35,060,160	-	35,060,160	34,316,760
Total supporting services	35,060,160	-	35,060,160	34,316,760
Total expenses	355,484,413	-	355,484,413	363,214,993
CHANGE IN NET ASSETS	1,112,206	(57,178)	1,055,028	(86,216)
Net assets				
Beginning	5,315,124	692,779	6,007,903	6,094,119
Ending	<u>\$ 6,427,330</u>	<u>\$ 635,601</u>	<u>\$ 7,062,931</u>	<u>\$ 6,007,903</u>

The accompanying notes are an integral part of this financial statement.

National Endowment for Democracy

STATEMENT OF FUNCTIONAL EXPENSES

For the year ended September 30, 2024
(With summarized comparative information for 2023)

	Program Services				Supporting Services		2024	2023
	Federal Programs and Activities		Other	Total Program Services	Management and General	Total		
	Federal Grant Programs	Endowment Initiatives	Non-Federal Activities			Supporting Services		
Grants expense	\$ 301,127,643	\$ -	\$ 78,014	\$ 301,205,657	\$ -	\$ -	\$ 301,205,657	\$ 311,022,624
Grants deobligated	(4,479,623)	-	(23,438)	(4,503,061)	-	-	(4,503,061)	(4,170,181)
Direct assistance	-	12,273	15,026	27,299	-	-	27,299	348,899
Fellowships and internships	-	587,124	234,270	821,394	38,963	38,963	860,357	726,963
Salaries, wages and benefits	14,600,009	5,311,559	6,874	19,918,442	21,349,406	21,349,406	41,267,848	37,376,398
Occupancy and equipment	-	58,181	111,808	169,989	9,370,992	9,370,992	9,540,981	9,102,119
Professional fees	145,543	252,920	74,294	472,757	2,187,620	2,187,620	2,660,377	4,062,350
Travel and transportation	594,036	747,120	137,520	1,478,676	868,651	868,651	2,347,327	2,420,429
Conferences and meetings	-	188,031	449,546	637,577	109,025	109,025	746,602	773,396
Communications	-	9,182	1,343	10,525	576,237	576,237	586,762	570,942
Printing and publications	-	103,640	18,841	122,481	16,714	16,714	139,195	166,574
Insurance	-	-	-	-	315,350	315,350	315,350	231,607
Other	-	9,866	52,651	62,517	227,202	227,202	289,719	582,873
Total expenses	<u>\$ 311,987,608</u>	<u>\$ 7,279,896</u>	<u>\$ 1,156,749</u>	<u>\$ 320,424,253</u>	<u>\$ 35,060,160</u>	<u>\$ 35,060,160</u>	<u>\$ 355,484,413</u>	<u>\$ 363,214,993</u>

The accompanying notes are an integral part of this financial statement.

National Endowment for Democracy

STATEMENTS OF CASH FLOWS

As of September 30, 2024 and 2023

	2024	2023
Cash flows from operating activities:		
Change in net assets	\$ 1,055,028	\$ (86,216)
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation and amortization	1,120,075	1,254,780
Net realized and unrealized gain on investments	(371,064)	(127,201)
Changes in assets and liabilities:		
(Increase) decrease in:		
Grants receivable from U.S. Department of State	(6,880,445)	(5,656,344)
Other receivables	30,015	(90,575)
Prepaid expenses and other assets	220,180	(464,309)
Amortization of right of use assets	4,388,851	4,391,724
Increase (decrease) in:		
Accounts payable and accrued liabilities	(121,867)	(427,484)
Grants payable	(4,186,967)	7,999,522
Refundable advances, due to U.S. Department of State	(11,120,239)	12,627,057
Operating lease liabilities	(5,204,994)	(1,395,192)
Net cash (used in) provided by operating activities	(21,071,427)	18,025,762
Cash flows from investing activities:		
Purchases of investments	262,628	-
Proceeds from sales of investments	-	(4,119,544)
Purchases of property and equipment	(22,346)	(115,456)
Net cash (provided by) used in investing activities	240,282	(4,235,000)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(20,831,145)	13,790,762
Cash and cash equivalents:		
Beginning	27,733,805	13,943,043
Ending	\$ 6,902,660	\$ 27,733,805

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

National Endowment for Democracy
NOTES TO FINANCIAL STATEMENTS
September 30, 2024 and 2023

NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

National Endowment for Democracy (the Endowment) is a nonprofit organization based in Washington, D.C. The establishment of the Endowment in 1983 was followed by the National Endowment for Democracy Act (the Act) of the United States Congress, which authorized the terms by which the Endowment could receive an annual appropriation from Congress in the form of a grant awarded through the United States Information Agency (USIA). The purpose of the Endowment is to encourage free and democratic institutions throughout the world through activities that promote individual rights and freedoms. The Endowment awards grants to organizations with programs consistent with its objectives. On October 1, 1999, USIA and the U.S. Department of State (the DOS) consolidated. Accordingly, the Endowment receives funding for its annual congressional appropriation and other special federal funding from the DOS.

A summary of the Endowment's significant accounting policies follows:

Basis of Accounting

The financial statements are prepared on the accrual basis of accounting, whereby revenue is recognized when earned and expenses are recognized when incurred. The Endowment reports quarterly to the U.S. government on the basis of grant obligations incurred and accrual-based expenses for democracy support activities.

Basis of Presentation

Net assets and changes in net assets are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets are classified and reported as follows:

Net assets without donor restrictions: net assets that are not subject to donor-imposed stipulations.

Net Assets with donor restrictions: net assets subject to donor-imposed stipulations that will be met by the passage of time and/or actions of the Endowment pursuant to those stipulations, such as usage for specific programs.

Cash and Cash Equivalents

Cash equivalents include short-term, highly liquid investments that are readily convertible to known amounts of cash and have original maturities of three months or less. Cash held in investment accounts are considered investments. Money market funds are also considered investments.

Financial Risk

The Endowment maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Endowment has not experienced any losses in such accounts. The Endowment believes it is not exposed to any significant financial risk on cash.

National Endowment for Democracy

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2024 and 2023

The Endowment invests in mutual funds. Such investments are exposed to various risks, such as market and credit. Due to the level of risk associated with such investments and the level of uncertainty related to change in the value of such investments, it is at least reasonably possible that changes in risks in the near term could materially affect investment balances and the amounts reported in the financial statements.

Investments

The Endowment's investments consist entirely of mutual funds and equities and are reflected at fair value. To adjust the carrying value of these investments, the change in fair value is included as a component of investment income in the statement of activities.

Purchases and sales of securities are recorded on a trade-date basis. Gains and losses on sales of securities are based on average cost and are recorded in the statements of activities in the period in which the securities are sold. Interest is recorded when earned.

Grants Receivable

Grants receivables are due from DOS and represent unreimbursed funds owed by the Endowment to other organizations and administrative costs incurred by the Endowment. As of September 30, 2024 and 2023, management did not record an allowance for grants receivable as all balances were judged to be collectible.

Property and Equipment

Property and equipment are stated at cost, net of accumulated depreciation. Depreciation is computed using the straight-line methods over the estimated useful lives of the related assets, which range from three to 16 years. The Endowment capitalizes all property and equipment purchased with a cost of \$5,000 or more.

Right-of-Use Assets/Liabilities

The Endowment determines if an arrangement contains a lease at inception based on whether there is an identified asset and whether the Endowment controls the use of the identified asset throughout the period of use. The Endowment classifies leases as either financing or operating. Right-of-use (ROU) assets are recognized at the lease commencement date and represent the Endowment's right to use an underlying asset for the lease term and lease liabilities represent the Endowment's obligation to make lease payments arising from the lease. Lease liabilities are recognized at the lease commencement date based on the present value of future lease payments over the remaining lease term. Present value of lease payments are discounted based on the risk-free rate. Expenses related to leases determined to be operating leases are recognized on a straight-line basis.

The Endowment's ROU assets are initially measured based on the corresponding lease liability adjusted for (i) payments made to the lessor at or before the commencement date, (ii) initial direct costs incurred and (iii) lease incentives under the lease. Options to renew or terminate the lease are recognized as part of our ROU assets and lease liabilities when it is reasonably certain the options will be exercised. ROU assets are also assessed for impairments consistent with the long-lived asset guidance.

The Endowment has elected not to recognize ROU assets and lease liabilities for all leases with terms of 12 months or less. In addition, the Endowment does not allocate consideration between lease and non-lease components, such as operating costs, as the Endowment has elected to not separate lease and non-lease components for any leases within its existing classes of assets.

National Endowment for Democracy

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2024 and 2023

Valuation of Long-lived Assets

The Endowment accounts for the valuation of long-lived assets by reviewing such assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of long-lived assets is measured by a comparison of the carrying amount of the asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the estimated fair value of the assets. Assets to be disposed of are reportable at the lower of the carrying amount or fair value, less costs to sell.

Grants Payables

Grants payables represent the unliquidated funds due to the Endowment's grantees representing expenses incurred and conditions met. Grantee organizations are entitled to collect funds as needed in accordance with the terms of the grant agreement.

Refundable Advances-Due to the DOS

Amount represents funds returned to the Endowment by grantees for grants that have been deobligated. Funds are in turn either repaid to the DOS, or otherwise applied against the grants receivable balance and used to fund new grantee funding requests as appropriate.

Support and Revenue

The Endowment receives grants from the DOS and private grantors for various purposes. Grants received from the DOS specify the periods in which monies are to be expended.

Additionally, certain government grants restrict the use of funds for programs in specific countries or regions. Government grants are generally conditional and, as such, revenue is recognized when conditions are met, which is when the Endowment expends the funds for the intended purpose that is set forth in the grant agreement and for administrative expenses incurred. Revenue from private grantors is recognized as earned in the year received when unconditional.

Agreements with the DOS provide for the subsequent audit of costs funded under the grant agreements. It is the policy of the Endowment to provide for cost disallowances based upon its experience in previous grant audits. There was no provision for such disallowance for the years ended September 30, 2024 and 2023.

Contributions

The Endowment recognizes unconditional gifts of cash and other assets as restricted support 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), net assets with donor restrictions are reclassified in the statement of activities as net assets released from restrictions. Income on these net assets is classified as with donor restrictions or without donor restrictions, in accordance with the donor's stipulation. The Endowment treats all contributions with donor restrictions that are satisfied within the same fiscal year as activities without donor restrictions for purposes of financial statement presentation. Conditional contributions are those contributions that contain donor-imposed rights of return/refund and barriers (performance obligation and/or controlling stipulations). Conditional contributions are recognized into revenue when conditions are satisfied and then follow the above policies for unconditional contributions. Conditional contributions received in advance of satisfying conditions are recorded as refundable advances.

National Endowment for Democracy

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2024 and 2023

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles (U.S. GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Income Taxes

The Endowment follows guidance that clarifies the accounting for uncertainty in tax positions taken or expected to be taken in a tax return, including issues relating to financial statement recognition and measurement. This guidance provides that the tax effects from an uncertain tax position can only be recognized in the financial statements if the position is “more-likely-than-not” to be sustained if the position were to be challenged by a taxing authority. The assessment of the tax position is based solely on the technical merits of the position, without regard to the likelihood that the tax position may be challenged.

The Endowment is exempt from federal income tax under Internal Revenue Code (IRC) section 501(c)(3), though it is subject to tax on income unrelated to its exempt purpose, unless that income is otherwise excluded by the Code. The Endowment has processes presently in place to ensure the maintenance of its tax-exempt status; to identify and report unrelated income; to determine its filing and tax obligations in jurisdictions for which it has nexus; and to identify and evaluate other matters that may be considered tax positions. The Endowment has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements.

Prior-Year Information

The financial statements include certain prior-year summarized information. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with the Endowment’s financial statements for the year ended September 30, 2023, from which the summarized information was derived.

Subsequent Events

The Endowment has evaluated subsequent events through March 3, 2025, the date on which the financial statements were available to be issued. The Endowment is not aware of any subsequent events which would require recognition or disclosure in the accompanying financial statements.

National Endowment for Democracy

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2024 and 2023

NOTE 2 - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Endowment maintains a policy of structuring its financial assets to ensure availability as operational expenses come due. The table below represents financial assets as of September 30, 2024 and 2023, that are available to fulfill both the Endowment's contractual obligations to its subrecipient grantees as well as requirements for general expenditures to be made over the course of the following year:

	2024	2023
Cash	\$ 6,902,660	\$ 27,733,805
Investments	5,879,298	5,770,862
Grants and other receivables	21,328,127	14,477,697
Total financial assets available	34,110,085	47,982,364
Less amounts not available to be used within one year:		
Refundable advances, due to U.S. Department of State	2,932,467	14,052,706
Restricted by donor with time or purpose restrictions	635,601	692,779
Board-designated funds	145,400	145,350
	3,713,468	14,890,835
Financial assets available to meet general expenditures within one year	\$ 30,396,617	\$ 33,091,529

NOTE 3 - INVESTMENTS AND FAIR VALUE MEASUREMENTS

The Endowment's investments are measured at fair value and consist almost entirely of amounts invested in mutual funds.

The Fair Value Measurement Topic of the Financial Accounting Standards Board Accounting Standards Codification 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 and sets out a fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). Inputs are broadly defined as assumptions market participants would use in pricing an asset or liability.

The three levels of the fair value hierarchy are described below:

Level 1 - Quoted market prices in active markets for identical assets or liabilities.

Level 2 - Observable market-based inputs or unobservable inputs corroborated by market data.

Level 3 - Unobservable inputs that are not corroborated by market data.

In determining the appropriate levels, the Endowment performs a detailed analysis of the assets and liabilities that are subject to accounting for fair value measurements. At each reporting period, all assets and liabilities for which the fair value measurement is based on significant unobservable inputs are classified as Level 3. There were no Level 3 inputs for any assets or liabilities held by the Endowment at September 30, 2024 and 2023.

National Endowment for Democracy

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2024 and 2023

The Endowment's investments are mainly comprised of money market funds, domestic equities and publicly-traded mutual funds. The fair values of these investments are based on the quoted market price in the active market; therefore, these investments are considered a Level 1 item.

The deferred compensation liability is based on the fair market value of the deferred compensation plan assets that are observable inputs. The liability is not publicly traded and, therefore, is classified as Level 2.

Assets at fair value as of September 30, 2024, consist of the following:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments:				
Money market funds	\$ 3,694,284	\$ 3,694,284	\$ -	\$ -
Domestic equity	50,015	50,015	-	-
Mutual funds:				
Large growth	1,681,699	1,681,699	-	-
Intermediate-term bonds	<u>453,300</u>	<u>453,300</u>	<u>-</u>	<u>-</u>
Total investments	<u>\$ 5,879,298</u>	<u>\$ 5,879,298</u>	<u>\$ -</u>	<u>\$ -</u>
Deferred compensation plan assets:				
Mutual funds	<u>\$ 153,107</u>	<u>\$ 153,107</u>	<u>\$ -</u>	<u>\$ -</u>
Deferred compensation plan liabilities	<u>\$ 153,107</u>	<u>\$ -</u>	<u>\$ 153,107</u>	<u>\$ -</u>

Assets at fair value as of September 30, 2023, consist of the following:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments:				
Money market funds	\$ 4,059,723	\$ 4,059,723	\$ -	\$ -
Domestic equity	39,190	39,190	-	-
Mutual funds:				
Large growth	1,265,260	453,300	-	-
Intermediate-term bonds	<u>406,689</u>	<u>406,689</u>	<u>-</u>	<u>-</u>
Total investments	<u>\$ 5,770,862</u>	<u>\$ 5,770,862</u>	<u>\$ -</u>	<u>\$ -</u>
Deferred compensation plan assets:				
Mutual funds	<u>\$ 116,756</u>	<u>\$ 116,756</u>	<u>\$ -</u>	<u>\$ -</u>
Deferred compensation plan liabilities	<u>\$ 116,756</u>	<u>\$ -</u>	<u>\$ 116,756</u>	<u>\$ -</u>

National Endowment for Democracy
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2024 and 2023

NOTE 4 - PROPERTY AND EQUIPMENT

Property and equipment at September 30, 2024, and related accumulated depreciation and amortization for the year then ended, consist of the following:

<u>Asset Category</u>	<u>Estimated Lives</u>	<u>Cost</u>	<u>Accumulated Depreciation and Amortization</u>	<u>Net</u>	<u>Depreciation and Amortization Expense</u>
Leasehold improvements	16 years	\$ 8,660,120	\$ 1,853,653	\$ 6,806,467	\$ 537,353
Furniture and fixtures	10 years	1,630,723	577,741	1,052,982	161,172
Office equipment	3 years	700,610	554,027	146,583	119,755
Computer equipment and software	3 years	2,119,902	1,985,177	134,725	301,795
Construction in progress	-	22,407	-	22,407	-
		<u>\$ 13,133,767</u>	<u>\$ 4,970,598</u>	<u>\$ 8,163,164</u>	<u>\$ 1,120,075</u>

Property and equipment at September 30, 2023, and related accumulated depreciation and amortization for the year then ended, consist of the following:

<u>Asset Category</u>	<u>Estimated Lives</u>	<u>Cost</u>	<u>Accumulated Depreciation and Amortization</u>	<u>Net</u>	<u>Depreciation and Amortization Expense</u>
Leasehold improvements	16 years	\$ 8,660,120	\$ 1,316,300	\$ 7,343,820	\$ 535,195
Furniture and fixtures	10 years	1,630,723	416,570	1,214,153	160,449
Office equipment	3 years	700,610	434,272	266,338	124,007
Computer equipment and software	3 years	2,236,475	1,842,714	393,761	435,129
Construction in progress	-	42,820	-	42,820	-
		<u>\$ 13,270,748</u>	<u>\$ 4,009,856</u>	<u>\$ 9,260,892</u>	<u>\$ 1,254,780</u>

National Endowment for Democracy
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2024 and 2023

NOTE 5 - GRANT REVENUE - U.S. GOVERNMENT

Federal awards received during the fiscal year ended September 30, 2024, are as follows:

Fiscal Year 2024 Congressional Annual Appropriation received from DOS	\$ 315,249,800
Other new grants and supplemental funding received from DOS during the year:	
Cuba 2024: Grantmaking Program Advancing Democratic Rights, Political Pluralism and Independent Civil Society in Cuba	6,041,748
Eurasia 2024: Grantmaking Program Promoting Democracy in Eurasia Region and Georgia	5,376,418
Ukraine 2024: Fostering democratic development in Ukraine	3,946,720
Europe 2024: Fostering democratic development in Europe	838,677
Balkans 2021: (Amendment) Grantmaking Program Supporting Independent Media Initiatives in Southeast Europe	<u>690,675</u>
Total new grants and supplemental funding	<u>16,894,238</u>
Total awards received during the year	<u><u>\$ 332,144,038</u></u>

Federal grant revenue recognized during the fiscal year:	
Grants obligated, net of deobligations	\$ 296,648,020
Democracy support activities	7,279,896
Other grant-related expenses	<u>50,201,302</u>
	<u><u>\$ 354,129,218</u></u>

Federal awards received during the fiscal year ended September 30, 2023, are as follows:

Fiscal Year 2023 Congressional Annual Appropriation received from DOS	\$ 315,000,000
Other new grants and supplemental funding received from DOS during the year:	
Cuba 2023: Grantmaking Program Advancing Democratic Rights, Political Pluralism and Independent Civil Society in Cuba	6,172,839
Eurasia 2021: (Amendment) Grantmaking Program Promoting Democracy in Eurasia Region and Georgia	7,407,407
Europe 2021: (Amendment) Fostering democratic development in Europe	4,800,615
Balkans 2021: (Amendment) Grantmaking Program Supporting Independent Media Initiatives in Southeast Europe	<u>300,000</u>
Total new grants and supplemental funding	<u>18,680,861</u>
Total awards received during the year	<u><u>\$ 333,680,861</u></u>

Federal grant revenue recognized during the fiscal year:	
Grants obligated, net of deobligations	\$ 306,852,443
Democracy support activities	7,176,766
Direct Emergency Response-Afghanistan	348,899
Other grant-related expenses	<u>47,669,129</u>
	<u><u>\$ 362,047,237</u></u>

As of September 30, 2024, the Endowment has \$277,465,362 million of revenue yet to be earned on its conditional grants from the U.S. government. The amount is not recognized in the accompanying financial

National Endowment for Democracy

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2024 and 2023

statements as such revenue is recognized over the multi-year period of each grant, conditional on the management of the Endowment complying with grant requirements.

NOTE 6 - CONCENTRATIONS OF REVENUE

During the years ended September 30, 2024 and 2023, substantially all of the Endowment's revenue was related to appropriations and grants from the U.S. government.

NOTE 7 - PROGRAM SERVICES EXPENSES

Program services expenses for the years ended September 30, 2024 and 2023, represent the following activities:

	2024	2023
Federally funded programs and activities:		
Grant programs	\$ 311,987,608	\$ 320,414,798
Emergency response-Afghanistan relief effort	-	314,287
	296,648,020	320,729,085
Endowment Initiatives, federal:		
International Forum for Democratic Studies:		
Journal of Democracy	1,085,150	892,988
Research and conferences	180,314	346,909
Management and support	1,899,167	1,669,016
Reagan-Fascell Fellowships	1,251,970	1,195,732
Democracy Resource Center	481,347	512,111
World Movement for Democracy	1,094,682	1,115,486
Center for International Media Assistance	811,663	918,415
Other democracy support activities	475,603	514,924
	7,279,896	7,165,581
Other non-federal democracy support activities:		
Grant programs	78,014	-
International Forum for Democratic Studies:		
Journal of Democracy	-	13,144
Research and conferences	10,000	3,022
Other Forum activities	39,325	3,630
Management and support	(1,395)	15,450
Afghanistan Response (non-U.S. government)	9,689	87,989
Greshman Dem-At-Risk Fund (non-U.S. government)	157,707	82,755
World Movement for Democracy:		
WMD Global Assembly	-	289,510
Youth Fellowships & Engagement	75,789	86,953
Other WMD Activities	509	6,694
Other Endowment events and development	787,111	414,420
	1,156,749	1,003,567
	\$ 320,424,253	\$ 328,898,233

National Endowment for Democracy

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2024 and 2023

NOTE 8 - NET ASSETS WITH DONOR RESTRICTIONS

Changes in net assets with donor restrictions during the year ended September 30, 2024, are as follows:

	Balance at September 30, 2023	Additions	Releases	Balance at September 30, 2024
Democracy Support Activities:				
WMD 12th Global Assembly	\$ 100,000	\$ 135,831	\$ -	\$ 235,831
World Movement for Democracy:				
Hurford Youth Fellowship Program	145,445	100,000	(88,710)	156,735
International Forum for Democratic Studies:				
Smith Richardson Foundation 2019-2022	6,289	-	(5,949)	340
Penn Kemble Youth Forum on Democracy	57,889	40,000	(12,209)	85,680
Gershman Democrats-at-Risk Fund	209,238	57,489	(218,510)	48,217
Emergency Response Funding:				
Afghanistan Relief Response	120,138	-	(11,340)	108,798
Other restrictions:				
Annual Democracy Award Event	53,780	25,000	(78,780)	-
	<u>\$ 692,779</u>	<u>\$ 358,320</u>	<u>\$ (415,498)</u>	<u>\$ 635,601</u>

Changes in net assets with donor restrictions during the year ended September 30, 2023, are as follows:

	Balance at September 30, 2022	Additions	Releases	Balance at September 30, 2023
Democracy Support Activities:				
WMD 11th Global Assembly	\$ 193,489	\$ 100,000	\$ (293,489)	\$ -
Korea Foundation for WMD 11th Global Assembly	20,000	-	(20,000)	-
WMD 12th Global Assembly	-	100,000	-	100,000
World Movement for Democracy:				
Hurford Youth Fellowship Program	36,583	210,000	(101,138)	145,445
International Forum for Democratic Studies:				
Smith Richardson Foundation 2019-2022	10,282	-	(3,993)	6,289
Penn Kemble Youth Forum on Democracy	51,412	20,000	(13,523)	57,889
Gershman Democrats-at-Risk Fund	266,501	42,075	(99,338)	209,238
Emergency Response Funding:				
Afghanistan Relief Response	222,482	-	(102,344)	120,138
Other restrictions:				
Annual Democracy Award Event	46,378	25,000	(17,598)	53,780
	<u>\$ 847,127</u>	<u>\$ 497,075</u>	<u>\$ (651,423)</u>	<u>\$ 692,779</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes specified by donors during the years ended September 30, 2024 and 2023.

National Endowment for Democracy

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2024 and 2023

NOTE 9 - RELATED PARTIES

The Endowment awards grants to various organizations to be used for programs that the Board of Directors determines are consistent with the purposes of the Act. Some of the organizations that submit proposals and are awarded funds may have members of their Boards of Directors represented on the Board of Directors of the Endowment. Article VI, Section III of the Endowment's bylaws provides that any Board member who is an officer or director of an organization seeking to receive grants from the Endowment must abstain from consideration of and any vote on such a grant. The provision does not prevent any director from supplying factual information that the Board of Directors requests.

NOTE 10 - LEASES

In May 2020, the Endowment entered into a noncancellable operating lease for its office that commenced on April 1, 2021, with a lease term through May 31, 2037. The lease for office space includes a provision for rent escalations. The lease expense is recognized on a straight-line basis ratably over the term of the lease. The Endowment determined at lease commencement that there were no renewal options expected to be exercised and calculated operating lease schedules through May 31, 2037.

The lease includes an incentive for leasehold improvements of \$12,447,642 which is included in property and equipment and amortized over the term of the lease.

The lease liability and its maturity analysis are summarized as follows:

Years Ending September 30:

2025	\$ 6,002,059
2026	6,092,863
2027	6,242,143
2028	6,392,396
2029	6,552,206
Thereafter	55,977,916
Total minimum payments required	87,259,582
Less: amounts representing interest	(5,041,811)
Present value of minimum lease payments	\$ 82,217,771

The Endowment does not have an established borrowing rate and, therefore, applied the risk-free rate as of July 2020. The weighted-average remaining life of the lease is 13.67 years and weighted-average discount rate of 0.9% for 2024 and 2023.

Total lease expense, including the Endowment's share of common building costs, was \$5,245,009 and \$5,154,793 for the years ended September 30, 2024 and 2023.

Supplemental cash flow information related to leases for the years ended September 30, 2024 and 2023:

	2024	2023
Cash paid for amounts included in measurement of lease liabilities:		
Operating cash outflows-payments on operating leases	\$ 5,983,485	\$ 1,982,187

National Endowment for Democracy

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2024 and 2023

The Endowment has a standby letter of credit in the amount of \$452,810. The letter of credit is held by the commercial banking institution where the Endowment maintains its primary operating funds and represents the security deposit for the Endowment's noncancelable operating lease for office space. No funds were withdrawn from the letter of credit during the years ended September 30, 2024 and 2023.

NOTE 11 - RETIREMENT PLANS

The Endowment has a defined contribution annuity plan for all of its employees, under which the Endowment contributes a percentage of eligible employees' annual earnings to individually owned tax-deferred annuity contracts. The Endowment's contribution to the plan is based on 10% of an eligible employees' annual earnings after the first year of employment. Employer contributions to the plan for the years ended September 30, 2024 and 2023 amounted to \$2,670,190 and \$2,315,455, respectively.

In June 2022, the Endowment established a 457(b) plan for executive members of management to defer a limited portion of their compensation on a pre-tax basis. Eligible employees may contribute to this 457(b) plan up to the legal limits defined by the IRS. The employer contributes to the 457(b) plan. Total contribution expense was \$75,285 and \$88,535 for the years ended September 30, 2024 and 2023, respectively. The value of assets held and the related deferred compensation liability was \$153,107 and \$116,756 as of September 30, 2024 and 2023, and is included within prepaid expenses and other assets and accrued expenses, respectively, on the accompanying balance sheet.

NOTE 12 - CONTINGENCY

Federal awards: The Endowment participates in a number of federally assisted grant programs, which are subject to financial and compliance audits by the federal government or its representative. Separate audit reports may be received on these federal programs. Management does not anticipate significant adjustments as a result of such audits.

SUPPLEMENTARY INFORMATION

National Endowment for Democracy

SCHEDULE OF INDIRECT COST RATE AND SCHEDULE OF FRINGE BENEFIT RATE

For the year ended September 30, 2024

Indirect cost rate	
Total allowable management and general expenses	\$ 50,399,748
Less income offsets on management and general expenses	-
	\$ 50,399,748
Total expenses	\$ 346,034,792
Less management and general expenses	50,399,748
Total direct base	295,635,044
Obligated grant funds unspent by grantees	-
Management and general direct activity base	\$ 295,635,044
Management and general administrative rate	17.05%
Fringe benefit rate	
Total fringe benefits, including compensated balances	\$ 14,462,820
Total salaries and wages	\$ 26,254,095
Fringe benefit rate	55.09%
Provisional rates per negotiated indirect cost rate agreement (2024):	
Management and general administrative rate	17.50%
Fringe benefit rate	52.68%

The Endowment determines its indirect cost rate in accordance with the Uniform Guidance. Allowable elements of cost not directly related to specific programs are accumulated in an indirect cost pool. The total of the indirect cost pool is divided by the appropriate base to arrive at the indirect cost rate. The direct cost base consists of the following: (1) total subrecipient awards obligated during the fiscal year by the Endowment, net of any deobligations executed on previously awarded subgrants and (2) the Endowment's direct democracy support activities.