



ASSOCIATION FOR CULTURAL INTERCHANGE, INC.

Consolidated Financial Statements

Year ended December 31, 2021

(With Independent Auditors' Report)

Independent Auditors' Report

The Board of Trustees
Association for Cultural Interchange, Inc.

Opinion

We have audited the accompanying consolidated financial statements of Association for Cultural Interchange, Inc. ("ACI") and subsidiary, which comprise the consolidated statement of financial position as of December 31, 2021, and the related consolidated statements of financial activity, of functional expenses and of cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Association for Cultural Interchange, Inc. ("ACI") and subsidiary at December 31, 2021, and the changes in their consolidated net assets and their consolidated 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 (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of ACI 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 consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 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 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 Organization'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 Organization'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.

Report on Summarized Comparative Information

We have previously audited 2020 consolidated financial statements of ACI, and we expressed an unmodified audit opinion on those financial statements in our report dated July 23, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020 is consistent, in all material respects, with the audited financial statements from which it has been derived.

February 15, 2023

Osgoff Company, P.C.

ASSOCIATION FOR CULTURAL INTERCHANGE, INC.

Consolidated Statement of Financial Position

December 31, 2021

(With Comparative Figures For 2020)

	2021	2020
<u>ASSETS</u>		
Cash and cash equivalents	\$ 2,419,709	\$ 1,173,507
Program loans	12,311,914	15,104,184
Investments, at fair value	146,415,284	130,980,683
Fixed assets, net	72,365,698	73,195,458
Accrued income and other assets	<u>154,331</u>	<u>176,337</u>
Total assets	<u>\$ 233,666,936</u>	<u>\$ 220,630,169</u>
<u>LIABILITIES and NET ASSETS</u>		
Accounts payable:	<u>\$ 310,969</u>	<u>\$ 190,242</u>
Total Liabilities	<u>310,969</u>	<u>190,242</u>
Commitments (Notes 5 and 8)		
Net assets:		
Without donor restrictions:		
Undesignated	175,709,641	168,137,467
Accumulated foreign currency translation	<u>11,601,192</u>	<u>9,626,158</u>
	187,310,833	177,763,625
With donor restrictions	<u>46,045,134</u>	<u>42,676,302</u>
Total net assets	<u>233,355,967</u>	<u>220,439,927</u>
Total liabilities and net assets	<u>\$ 233,666,936</u>	<u>\$ 220,630,169</u>

See Accompanying Notes to Financial Statements

ASSOCIATION FOR CULTURAL INTERCHANGE, INC.

Consolidated Statement of Financial Activities

Year Ended December 31, 2021

(With Comparative Figures For 2020)

	2021	2020
<u>Changes In Net Assets Without Donor Restrictions</u>		
Public support and revenue:		
Contributions	1,706,432	\$ 1,319,115
Investment return (net)	9,314,193	9,919,364
Program service fees:		
Saxum Center	61,059	169,506
Domestic services	80,988	90,420
Program loan interest	49,945	71,797
Total public support and revenue	11,212,617	11,570,202
Net assets released from restrictions	2,015,244	2,993,796
	<u>13,227,861</u>	<u>14,563,998</u>
Program expenses:		
Grants	1,211,984	1,348,251
Grantmaking and loan services	53,255	46,860
Foreign facilities and services:		
Saxum Center	2,848,204	2,807,692
Other foreign facilities	940,226	1,046,263
Domestic facilities and services	80,485	83,569
Total program expenses	5,134,154	5,332,635
General administration expenses	442,331	401,660
Total expenses	<u>5,576,485</u>	<u>5,734,295</u>
Excess of public support and revenue over expenses	7,651,376	8,829,703
Change in accumulated foreign currency translation	1,975,034	4,180,379
Other gains (losses)	<u>(79,202)</u>	<u>(41,683)</u>
Increase in net assets without donor restrictions	<u>\$ 9,547,208</u>	<u>\$ 12,968,399</u>
<u>Changes In Net Assets With Donor Restrictions</u>		
Contributions	971,939	324,239
Investment return (net) - Saxum Center	4,412,137	4,282,338
Net assets released from restrictions	<u>(2,015,244)</u>	<u>(2,993,796)</u>
Increase in net assets with donor restrictions	<u>\$ 3,368,832</u>	<u>\$ 1,612,781</u>
<u>Changes In Total Net Assets</u>		
Increase in total net assets	\$ 12,916,040	\$ 14,581,180
Total net assets - beginning of year	<u>220,439,927</u>	<u>205,858,747</u>
Total net assets - end of year	<u>\$ 233,355,967</u>	<u>\$ 220,439,927</u>

See Accompanying Notes to Financial Statements

ASSOCIATION FOR CULTURAL INTERCHANGE, INC.

Consolidated Statement of Functional Expenses

Year Ended December 31, 2021

(With Comparative Total Figures For 2020)

	Grants and Loans	Saxum Center	Foreign Facilities	Domestic Services	Total Programs	General Admini- stration	2021 Total	2020 Total
Grants	\$ 1,211,984	\$ -	\$ -	\$ -	\$ 1,211,984	\$ -	\$ 1,211,984	\$ 1,348,251
Personnel costs	37,591	258,466	40,044	58,745	394,846	197,697	592,543	570,323
Professional fees	-	-	26,844	-	26,844	222,956	249,800	195,004
Occupancy	15,664	342,822	20,229	21,740	400,455	12,721	413,176	502,864
Technology and communications	-	12,124	-	-	12,124	5,139	17,263	18,465
Travel and transportation	-	6,149	-	-	6,149	-	6,149	10,467
Office expenses	-	8,451	706	-	9,157	3,818	12,975	9,236
Program supplies	-	72,240	-	-	72,240	-	72,240	88,553
Marketing and advertising	-	35,037	-	-	35,037	-	35,037	22,777
Depreciation	-	2,112,915	852,403	-	2,965,318	-	2,965,318	2,968,355
Total	<u>\$ 1,265,239</u>	<u>\$ 2,848,204</u>	<u>\$ 940,226</u>	<u>\$ 80,485</u>	<u>\$ 5,134,154</u>	<u>\$ 442,331</u>	<u>\$ 5,576,485</u>	<u>\$ 5,734,295</u>

See Accompanying Notes to Financial Statements

ASSOCIATION FOR CULTURAL INTERCHANGE, INC.

Consolidated Statement of Cash Flows

Year Ended December 31, 2021

(With Comparative Figures For 2020)

	2021	2020
Cash flows from operating activities:		
Increase in total net assets	\$ 12,916,040	\$ 14,581,180
Adjustments to reconcile increase in total net assets to cash provided by operating activities:		
Saxum Center depreciation	2,112,915	1,992,562
Other depreciation	852,403	975,793
Foreign exchange (gain) loss	(1,975,034)	(4,161,604)
Other gains non-cash gains (losses)	81,650	98,088
Gain in fair value of investments	(11,284,569)	(12,794,267)
Partnership earnings	(1,612,065)	(458,517)
Grants applied to program loan repayments	203,521	65,005
Changes in:		
Accrued income and other assets	22,006	28,842
Accounts payable	120,727	(412,347)
Cash provided (used) by operating activities	1,437,594	(85,265)
Cash flows from investing activities:		
Program loans repaid	2,588,749	1,304,089
Purchase of portfolio securities	(106,826,618)	(78,343,347)
Sale of portfolio securities	104,136,169	76,400,374
Partnership contributions	-	(825,000)
Partnership distributions	152,482	-
Disposal of fixed assets	-	13,092
Additions to fixed assets	(242,174)	(579,255)
Cash used by investing activities	(191,392)	(2,030,047)
Increase (decrease) in cash and cash equivalents	1,246,202	(2,115,312)
Cash and cash equivalents - beginning of year	1,173,507	3,288,819
Cash and cash equivalents - end of year	\$ 2,419,709	\$ 1,173,507

See Accompanying Notes to Financial Statements

ASSOCIATION FOR CULTURAL INTERCHANGE, INC.

Notes to Consolidated Financial Statements

December 31, 2021

NOTE 1 – NATURE OF OPERATIONS

The Association for Cultural Interchange, Inc. ("ACI") is a not-for-profit organization formed in May of 1958 in the State of Maryland. ACI is exempt from federal income taxes under Internal Revenue code Section 501(c)(3) and is not a private foundation under the Code.

ACI supports other not-for-profit educational and vocational training institutions, most of which include a religious dimension inspired and assisted by the Catholic Prelature of Opus Dei. ACI emphasizes the promotion of international understanding and the interchange of ideas and cultural activities among people of different nations.

ACI achieves this by providing grants and program loans, as well as the use of physical facilities, to organizations in the United States and other countries that operate in furtherance of ACI's mission.

ACI also owns and operates the Saxum Center ("Saxum") in Abu Gosh, Israel. Saxum consists of a Conference Center which operates workshops, conferences and spiritual retreats, as well as a Visitor Center providing orientation and information resources for individuals and groups visiting the Holy Land.

Activities related to Saxum are conducted through Saxum Ltd (CC), a Charitable Company that is established under the laws of Israel as a wholly owned subsidiary of ACI. Saxum Ltd (CC) was previously known as A.C.I. - A Company for Public Benefit Ltd. The eight directors of Saxum Ltd (CC) are appointed by ACI, and include four persons who are also directors of ACI.

Development and construction of Saxum began in 2007, with broad international financial support. Donations of \$89.3 million were used as follows: \$4.4 million for purchase of land, \$51.9 million for construction costs and \$30.0 million for an Endowment. A balance of \$3 million is being reserved for future expansion of the facility. The Conference Center opened for operations on June 8, 2017. The Visitor Center began receiving visitors in late 2017.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The ACI's policy is to prepare its financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of ACI and Saxum Ltd (CC). All significant intercompany balances and transactions have been eliminated in consolidation.

Foreign Exchange

Foreign unrealized and realized exchange gains and losses arising from foreign activity are recorded as gain or loss in the statement of financial activities. The change in net asset value of the Israeli subsidiary that is due solely to the year-to-year change in the USD/ILS exchange rate is recorded as Accumulated foreign currency translation in the Statement of Financial Position.

Use of Estimates

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

ASSOCIATION FOR CULTURAL INTERCHANGE, INC.

Notes to Consolidated Financial Statements

December 31, 2021

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

For purposes of the statement of cash flows, the ACI considers all highly liquid debt instruments with an original maturity of three months or less to be cash equivalents.

Net Asset Classes

The financial statements present information regarding its financial position and financial activities according to two classes of net assets:

Net assets without donor restrictions represent resources available for general use.

Net assets with donor restrictions arise from contributions that donors have specified are to be used for a specific purpose or in a specific time period.

Contributions are considered to be without donor restrictions and available for unrestricted use unless specifically restricted by the donor. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, such restricted net assets are released and reclassified to net assets without donor restrictions and reported in the statement of activities as “net assets released from restrictions.”

Contributions

Contributions are recorded as revenue upon receipt or upon notice from a donor who has made an unconditional promise to give (pledge). ACI had no pledges receivable as of December 31, 2021.

Investments

Investments are reported at their fair values in the statement of financial position. Gains and losses in fair value are included in the statement of financial activities.

Property and Equipment

Property and equipment made available rent-free to educational and vocational training institutions are recorded at cost, less accumulated depreciation. The institutions using the facilities are responsible for all expenses of occupancy. ACI considers its annual depreciation expense on these facilities to be a fair measure of its contribution to the institutions.

Property and equipment related to Saxum are capitalized at cost. Maintenance and repairs are charged to expense as incurred;

Functional Allocation of Expenses

The costs of programmatic and administrative activities have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated between program and administrative expenses based on time-and-effort, space usage and other pertinent data.

Comparative Information

The financial statements include certain prior-year comparative information that may not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with ACI’s financial statements for the year ended December 31, 2020, from which the summarized information was derived.

ASSOCIATION FOR CULTURAL INTERCHANGE, INC.
Notes to Consolidated Financial Statements

December 31, 2021

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

New Accounting Pronouncements

In September 2020, the FASB issued ASU No. 2020-07, Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets, which requires a separate line-item for contributed nonfinancial assets on the statement of activities, apart from contributed cash and other financial assets. ASU 2020-07 should be applied on a retrospective basis and is effective for annual reporting periods beginning after June 15 2021.

NOTE 3 – PROGRAM LOANS

As part of its charitable program, ACI provides loans to educational, vocational training and charitable organizations worldwide, the proceeds of which are to be used for the recipients' capital construction projects or operational programs. All recipients of program loans are also eligible to receive charitable grants. Consistent with the purposes of ACI and of program loan recipients, ACI management may at any time grant the reduction or forgiveness of principal and/or interest amounts due. Any such amounts that are reduced or forgiven are charged to grant expense in the year that a determination to do so is made by the Board.

In 2021 program loans and/or interest outstanding of \$203,521 were forgiven and charged to grant expense.

Program loans outstanding amounted to \$12,311,914 at December 31, 2021. They are due from 16 organizations in installments through various maturity dates ending in 2030. The loans are interest-free or bear below-market interest rates. ACI management reviews the collectability status of all program loans at least annually.

From time-to-time ACI may enter into incentive agreements with borrowers whereby certain amounts of principal and interest will be forgiven, conditioned on the borrower meeting repayment schedules and various other performance factors. Any amounts forgiven under these arrangements are charged to grant expense when the conditions have been met.

At December 31, 2021 principal repayments on program loans are scheduled to be received as follows:

<u>Year</u>	<u>Amount</u>
2022	\$ 2,831,076
2023	2,053,425
2024	1,455,256
2025	3,539,546
2026	547,696
2027 - 2030	<u>1,884,915</u>
	<u>\$12,311,914</u>

ASSOCIATION FOR CULTURAL INTERCHANGE, INC.

Notes to Consolidated Financial Statements

December 31, 2021

NOTE 4 – INVESTMENTS

Investment Policy

ACI maintains traditional investment portfolios for which the primary return objective is to maximize total return and build capital. Well-established portfolio managers are employed. Specific policies call for a mixture of equity and fixed income securities, generally in the ratio of 65% to 35%, with variations as approved by the investment committee.

No single equity security should exceed 5% of total equities. U.S. government obligations, diversified mutual funds and exchange traded fixed income funds may be held without limit. Other fixed income securities are to be rated BBB or higher, and should not exceed 15% of the fixed income allocation; with no single investment exceeding 5% of the fixed income allocation.

ACI also invests selectively in private equity partnerships that have investment objectives deemed by the investment committee to be compatible with ACI's overall investment goals and strategies.

The following table summarizes the total return from all investments for 2021 and 2020.

	2021	2020
Gain (loss) in fair value of portfolio securities	\$ 11,284,569	\$ 12,794,166
Dividends and interest, net	1,341,596	1,345,710
Investment fees paid directly	(511,900)	(379,431)
Partnership earnings (loss)	1,612,065	441,257
Total	<u>\$ 13,726,330</u>	<u>\$ 14,201,702</u>

Prudent Management of Institutional Funds

ACI is subject to the Maryland Prudent Management of Institutional Funds Act that applies to certain endowment and other institutional funds. The Act establishes standards for managing and investing such funds and addresses, among other things, loyalty, prudence, good faith and care; types of investments, diversification of investments and pooling of funds; delegation of investment management functions; appropriateness of investment management costs; and record-keeping requirements. It also provides that spending policies should take into account the long-term needs of the organization as well as the potential effects of inflation. The Board believes its policies and activities in these matters are compliant with the Act.

Valuation of Investments

In establishing the fair value of its traditional investments, ACI uses a hierarchy that prioritizes the informational inputs used to measure fair value into three broad levels, Level 1, Level 2 and Level 3. This hierarchy gives the highest priority to quoted prices in active markets for identical assets (Level 1); and lowest priority to unobservable inputs (Level 3).

Level 1 inputs reflect fair values based on unadjusted quoted prices in active markets for identical assets that ACI has the ability to access at the measurement date (e.g., prices derived from NYSE, NASDAQ or Chicago Board of Trade).

ASSOCIATION FOR CULTURAL INTERCHANGE, INC.

Notes to Consolidated Financial Statements

December 31, 2021

NOTE 4 – INVESTMENTS (Continued)

Level 2 inputs reflect fair values based on inputs, other than quoted prices included within Level 1, that are observable for valuing the asset, either directly or indirectly (*i.e.*, interest rate and yield curves observable at commonly quoted intervals, default rates, *etc.*). Those inputs may include quoted prices for similar (but not identical) assets in active or non-active markets.

Level 3 inputs reflect fair values based on unobservable inputs used for valuing the asset. Unobservable inputs are those that reflect ACI's own assumptions concerning the factors that market participants would use in pricing the asset, based on the best information available in the circumstances. ACI had no Level 3 investments as of December 31, 2021.

The fair values of limited partnerships are based on the net asset values (NAV) reported by the partnerships and are not classified within the fair value hierarchy. They are included in the following table to permit reconciliation of the fair value hierarchy to the total fair value of investments presented in the statement of financial position. The following table summarizes the fair value of investments:

	Fair Value		
	Level 1	Level 2	Total
Equities	\$ 84,069,221	\$ -	\$ 84,069,221
Exchange traded funds	-	-	-
Money funds	42,895,160	-	42,895,160
Bonds	-	356,235	356,235
Real estate investment trusts	-	970,138	970,138
Certificates of deposit	-	250,000	250,000
American depositary receipts	-	3,667,371	3,667,371
	<u>\$ 126,964,381</u>	<u>\$ 5,243,744</u>	132,208,125
Limited Partnerships			<u>14,207,159</u>
			<u>\$ 146,415,284</u>

Additional information concerning limited partnership investments is presented below.

	Fair Value (NAV)	Unfunded Commitments	Available Redemption Frequency	Redemption Notice Period
Select EQT Infrastructure I Fund, L.P.	\$ 8,139	\$ -	N/A	N/A
Select EQT Infrastructure III Fund, L.P.	4,967,522	-	N/A	N/A
Bridgepoint Credit Opportunities III Fund	4,327,443	1,422,500	N/A	N/A
Zilkha Partners Special Opportunities, L.P.	<u>4,904,055</u>	<u>-</u>	Quarterly	35 Days
	<u>\$ 14,207,159</u>	<u>\$ 1,422,500</u>		

ASSOCIATION FOR CULTURAL INTERCHANGE, INC.
Notes to Consolidated Financial Statements

December 31, 2021

NOTE 4 - INVESTMENTS (Continued)

Select EQT Infrastructure I & III Funds primarily make controlling and co-controlling investments in a diversified portfolio of infrastructure and related assets. They intend to invest a majority of total commitments in assets that are based in, or connected to, Northern and Eastern Europe; with flexibility to invest globally. These investments cannot be redeemed with the funds. Distributions will be received as the funds' underlying investments are liquidated, which is estimated to occur over the next 1 to 6 years.

Bridgepoint Credit Opportunities III Fund (formerly Select EQT Credit III Fund) focuses on credit opportunities by finding good companies with bad balance sheets. After intense due diligence the fund will make investments in the acquisition, sale, and disposal of first lien, second lien, mezzanine, and unsecured debt of companies, primarily in Europe. The fund will only invest if EQT's management believes they can improve the operation and balance sheet of a company using their time-tested strategy of "Industrial Acceleration." The unfunded commitment is expected to be called during the next three years. Distributions will be received as the fund's underlying investments are liquidated, which is estimated to occur over the following 8-year period.

Zilkha Partners Special Opportunities focuses on underappreciated publicly traded businesses where market misperceptions or a complicated/challenged business model form the basis for undervaluation. It pursues an activist approach to implement value-creating strategies and solutions among publicly traded companies; and seeks to protect and grow its capital by making investments at a discount to estimated liquidation values. Shares of the partnership (in a minimum amount of \$1,000,000) may generally be redeemed as of the last business day of each calendar quarter. Requests for redemption must be made at least 35 calendar days prior to the redemption date.

Note 5 - LIQUIDITY AND AVAILABILITY OF RESOURCES

The following represents ACI's financial assets at December 31, 2021:

Financial assets at year-end:	
Cash and cash equivalents	\$ 2,419,709
Program loans	12,311,914
Investments, at fair value	146,415,284
Accrued income and other assets	<u>154,331</u>
	161,301,238
Amounts not available within one year:	
Program loans due beyond one year	(9,480,838)
Investments subject to liquidity restrictions	(9,294,965)
Designated for Saxum Center - future funding	<u>(41,961,360)</u>
Financial assets available for general expenditures over the next year	<u>\$ 100,564,075</u>

ACI structures its financial assets to be available as its general expenditures, liabilities and other obligations become due. As part of its liquidity plan, a portion of excess cash is invested in short-term investments.

ASSOCIATION FOR CULTURAL INTERCHANGE, INC.

Notes to Consolidated Financial Statements

December 31, 2021

NOTE 6 – FIXED ASSETS

The composition of land, buildings and equipment at December 31, 2021 was as follows:

Educational and Vocational Training Facilities Operated by Other Institutions

Israel, Amud Residence/Cultural Center	\$ 10,047,495
Israel, Polis Institute of Language and Humanities	1,680,831
Israel, Talma Cultural Center	6,504,376
Israel, Madaba Cultural Center	1,831,289
Italy, Villa Balestra International Student Center	<u>27,672,523</u>
	47,736,514
Accumulated depreciation	<u>(33,599,356)</u>
	<u>14,137,158</u>

Saxum Center

Land and building	66,353,207
Furniture and equipment	<u>1,830,101</u>
	68,183,308
Accumulated depreciation	<u>(9,954,768)</u>
	<u>58,228,540</u>
Total	<u>\$ 72,365,698</u>

Depreciation expense for the year 2021 was \$2,965,318. Depreciation on assets in service has been provided using the straight-line method over the estimated useful lives of the assets, as follows:

Asset type	Land	Buildings	Furniture and Equipment
Useful Life (Years)	<u>N/A</u>	<u>30</u>	<u>3-14</u>

NOTE 7 – COMMITMENTS

ACI is party to an office use license agreement that provides for administrative and program management space, office, utility and telephone services and the use of office furniture and cabinetry. The agreement runs for a fiscal year that begins February 1 and is renewed automatically at current market license rates unless terminated by either party with 60 days advance notice. Expense of the agreement in 2021 was \$58,280. ACI shares its spaces and services with other organizations and recovers from them an agreed amount (see Note 8).

ACI has unfunded capital commitments of \$1,422,500 with respect to certain limited partnership investments (see note 4).

ASSOCIATION FOR CULTURAL INTERCHANGE, INC.

Notes to Consolidated Financial Statements

December 31, 2021

NOTE 8 – RELATED PARTY TRANSACTIONS

One or more of ACI's directors or officers serve as directors or officers of certain not-for-profit organizations that have received grants or loans from ACI.

ACI has entered into a service agreement with a not-for-profit public charity and a private foundation with similar goals as ACI. This agreement calls for ACI to provide administrative services for corporate, grant, loan, donor and investment administration. The agreement calls for expense reimbursement payments from the two organizations in the combined amounts of \$80,988 and \$90,420 in 2021 and 2020, respectively. These amounts are reflected in the statement of financial activities as program service fees. Certain directors and officers of ACI are also directors and officers of the public charity and the private foundation.

NOTE 9 – NET ASSETS WITH DONOR RESTRICTIONS

The purposes and activity of net assets with donor restrictions during the year ended December 31, 2021 were as follows:

Location and Purpose	Beginning of Year	Contributions and Invest- ment Return	Released	End of Year
Grantmaking Program:				
Central America and the Caribbean	\$ 43,088	\$ 3,433	\$ 7,521	\$ 39,000
Europe	337,450	564,907	529,800	372,557
Middle East and North Africa	228,674	-	227,437	1,237
North America	25,012	46,700	15,000	56,712
South America	41,577	1,200	-	42,777
South Asia	5,000	46,000	-	51,000
Sub-Saharan Africa	44,165	10,864	27,400	27,629
Total Grantmaking Program	<u>724,966</u>	<u>673,104</u>	<u>807,158</u>	<u>590,912</u>
Israel Development Program:				
Israel, Talma Cultural Center - Property Expansion	636,617	4,635	74,888	566,364
Israel, Saxum Center - property development	2,631,664	294,834	-	2,926,498
Israel, Saxum Center - future funding	<u>38,683,055</u>	<u>4,411,503</u>	<u>1,133,198</u>	<u>41,961,360</u>
Total Israel Development Program	<u>41,951,336</u>	<u>4,710,972</u>	<u>1,208,086</u>	<u>45,454,222</u>
TOTAL	<u>\$42,676,302</u>	<u>\$ 5,384,076</u>	<u>\$2,015,244</u>	<u>\$46,045,134</u>

ASSOCIATION FOR CULTURAL INTERCHANGE, INC.

Notes to Consolidated Financial Statements

December 31, 2021

NOTE 10 – INCOME TAX STATUS

ACI is a tax-exempt charitable organization under Section 501(c)(3) of the Internal Revenue Code, and is not a private foundation under the Code.

Management of ACI believes it has adequate support for positions taken on its Information Return of Exempt Organization (Form 990) and, accordingly, believes there are no uncertain tax positions that would affect its tax-exempt status. Management continually evaluates expiring statutes of limitations, audits, proposed settlements, changes in tax law, new authoritative rulings and its operating characteristics to comply with its status as a tax-exempt charitable organization. ACI's information returns for the years ended December 31, 2021, 2020 and 2019 are presently subject to examination by the taxing authorities.

NOTE 11 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through February 15, 2023, the date on which the financial statements were available to be issued. Management is not aware of any subsequent events which would require recognition or disclosure in the accompanying financial statements.

The COVID-19 pandemic, is having a broad impact on commerce and financial markets around the world. The extent of the impact of COVID-19 on ACI's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak; and its impact on our investment portfolio, grantees, and loan recipients, all of which cannot presently be determined. The Conference and Visitor centers of Saxum were required to be closed during most of 2020 and 2021 with corresponding loss of revenue. The accompanying financial statements include no adjustments relating to the effects of the pandemic.