

# Financial Statements and Independent Auditor's Report

**The Center for American and International  
Law**

For the years ended June 30, 2021 and 2020



**LANE GORMAN TRUBITT, LLC**  
Accountants & Advisors

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THE CENTER FOR AMERICAN AND INTERNATIONAL LAW

JUNE 30, 2021 AND 2020

CONTENTS

	Page
INDEPENDENT AUDITOR'S REPORT	1 - 2
FINANCIAL STATEMENTS	
STATEMENTS OF FINANCIAL POSITION	3
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS	4 - 5
STATEMENTS OF FUNCTIONAL EXPENSES	6 - 7
STATEMENTS OF CASH FLOWS	8
NOTES TO FINANCIAL STATEMENTS	9 - 23



LANE GORMAN TRUBITT, LLC  
Accountants & Advisors

## Independent Auditor's Report

Board of Trustees  
The Center for American and International Law

We have audited the accompanying financial statements of The Center for American and International Law ("CAIL") which comprise the statement of financial position as of June 30, 2021, and the related statements of activities and changes in net assets, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the financial statements referred to above, present fairly, in all material respects, the financial position of The Center for American and International Law as of June 30, 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.

### Prior Year Financial Statements

The financial statements of The Center for American and International Law as of and for the year ended June 30, 2020, were audited by other auditors whose report dated December 16, 2020, expressed an unmodified opinion on those financial statements.

Emphasis-of-Matter – Change in Accounting Principle

As discussed in Note 1 to the financial statements, CAIL changed its method of accounting for revenue recognition as required by the provisions of Financial Accounting Standards Board Accounting Standards Update No. 2014-09, *Revenue Recognition (Topic 606): Revenue from Contracts with Customers*, as amended. Our opinion is not modified with respect to that matter.

Emphasis-of-Matter – Global Pandemic

As discussed in Note 12 to the financial statements, the World Health Organization has characterized COVID-19 as a pandemic. While management expects this matter to impact results, the extent of the impact of COVID-19 on CAIL's operational and financial performance will depend on future developments. Our opinion is not modified with respect to that matter.

LANE GORMAN TRUBITT, LLC

Dallas, Texas  
January 26, 2022

The Center for American and International Law  
 STATEMENTS OF FINANCIAL POSITION  
 June 30,

	2021	2020
<b>ASSETS</b>		
Cash and cash equivalents	\$ 1,860,036	\$ 1,977,333
Restricted cash and cash equivalents	517,902	352,754
Accounts receivable - net	520,894	393,086
Accrued interest receivable	21,786	27,272
Prepaid expenses and other assets	43,109	36,334
Beneficial interest in perpetual trust	533,897	-
Investments	25,607,314	22,076,989
Property and equipment - net	7,590,414	7,792,476
Total assets	\$ 36,695,352	\$ 32,656,244
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts payable	\$ 210,321	\$ 162,291
Accrued expenses	310,847	323,093
Deferred revenue	221,800	273,210
Total liabilities	742,968	758,594
<b>NET ASSETS</b>		
Without donor restrictions	34,094,053	31,011,514
With donor restrictions	1,858,331	886,136
Total net assets	35,952,384	31,897,650
Total liabilities and net assets	\$ 36,695,352	\$ 32,656,244

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

The Center for American and International Law  
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS  
Year ended June 30, 2021  
(with comparative totals for the year ended June 30, 2020)

	Without Donor Restrictions	With Donor Restrictions	Total 2021	Total 2020
<b>REVENUES AND SUPPORT</b>				
Tuition from programs	\$ 712,285	\$ 6,225	\$ 718,510	\$ 904,993
Project income	130,387	-	130,387	170,180
Grant income	-	655,645	655,645	353,145
Annual dues	900,522	4,900	905,422	985,740
Royalties on publications	356,170	-	356,170	299,140
Sponsorships	593,400	-	593,400	608,505
Contributions	90,377	506,417	596,794	125,239
Miscellaneous	55,303	1,396	56,699	107,290
Investment earnings - net of fees	4,981,603	47,592	5,029,195	561,646
Total revenues and support	<u>7,820,047</u>	<u>1,222,175</u>	<u>9,042,222</u>	<u>4,115,878</u>
Net assets released from restrictions	249,980	(249,980)	-	-
Total revenues and support - net of releases	<u>8,070,027</u>	<u>972,195</u>	<u>9,042,222</u>	<u>4,115,878</u>
<b>EXPENSES</b>				
Program services:				
Education	3,074,805	-	3,074,805	3,708,762
Supporting services:				
General and administrative	1,651,553	-	1,651,553	1,403,638
Fundraising	261,130	-	261,130	71,830
Total expenses	<u>4,987,488</u>	<u>-</u>	<u>4,987,488</u>	<u>5,184,230</u>
Change in net assets	3,082,539	972,195	4,054,734	(1,068,352)
Net assets, beginning of year	<u>31,011,514</u>	<u>886,136</u>	<u>31,897,650</u>	<u>32,966,002</u>
Net assets, end of year	<u>\$ 34,094,053</u>	<u>\$ 1,858,331</u>	<u>\$ 35,952,384</u>	<u>\$ 31,897,650</u>

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

The Center for American and International Law  
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS  
Year ended June 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total 2020
<b>REVENUES AND SUPPORT</b>			
Tuition from programs	\$ 879,973	\$ 25,020	\$ 904,993
Project income	170,180	-	170,180
Grant income	-	353,145	353,145
Annual dues	985,740	-	985,740
Royalties on publications	299,140	-	299,140
Sponsorships	608,505	-	608,505
Contributions	109,239	16,000	125,239
Miscellaneous	105,880	1,410	107,290
Investment earnings - net of fees	561,646	-	561,646
Total revenues and support	3,720,303	395,575	4,115,878
Net assets released from restrictions	486,327	(486,327)	-
Total revenues and support - net of releases	4,206,630	(90,752)	4,115,878
<b>EXPENSES</b>			
Program services:			
Education	3,708,762	-	3,708,762
Supporting services:			
General and administrative	1,403,638	-	1,403,638
Fundraising	71,830	-	71,830
Total expenses	5,184,230	-	5,184,230
Change in net assets	(977,600)	(90,752)	(1,068,352)
Net assets, beginning of year	31,989,114	976,888	32,966,002
Net assets, end of year	\$ 31,011,514	\$ 886,136	\$ 31,897,650

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

The Center for American and International Law  
STATEMENT OF FUNCTIONAL EXPENSES  
Year ended June 30, 2021

	Program		Supporting Services		Total
	Services		General and		
	Education	Administrative	Fundraising		
Salaries and employee benefits	\$ 1,760,655	\$ 1,183,488	\$ 196,637	\$ 3,140,780	
Lecturers and speakers	191,732	-	725	192,457	
Participant related expenses	102,749	-	10,935	113,684	
Printing and supplies	27,694	5,956	6,110	39,760	
Equipment expense	193,127	43,834	9,760	246,721	
Depreciation	219,114	57,662	11,532	288,308	
Professional services	359,162	120,082	16,123	495,367	
Communications	24,093	6,605	1,828	32,526	
Employee related expenses	18,693	126,761	1,074	146,528	
Grants	57,586	-	-	57,586	
Other	120,200	107,165	6,406	233,771	
	<u>\$ 3,074,805</u>	<u>\$ 1,651,553</u>	<u>\$ 261,130</u>	<u>\$ 4,987,488</u>	

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



The Center for American and International Law  
STATEMENT OF FUNCTIONAL EXPENSES  
Year ended June 30, 2020

	Program	Supporting Services		Total
	Services	General and		
	Education	Administrative	Fundraising	
Salaries and employee benefits	\$ 1,813,910	\$ 1,068,019	\$ 49,528	\$ 2,931,457
Lecturers and speakers	160,533	-	-	160,533
Participant related expenses	491,073	-	-	491,073
Printing and supplies	53,807	9,060	-	62,867
Equipment expense	269,918	38,967	-	308,885
Depreciation	185,285	88,366	11,402	285,053
Meeting expense	24,992	976	-	25,968
Professional services	343,236	80,079	-	423,315
Communications	82,294	10,447	5,000	97,741
Employee related expenses	74,958	6,111	668	81,737
Grants	67,651	-	-	67,651
Other	141,105	101,613	5,232	247,950
	<u>\$ 3,708,762</u>	<u>\$ 1,403,638</u>	<u>\$ 71,830</u>	<u>\$ 5,184,230</u>

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

The Center for American and International Law  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
Years ended June 30,

	2021	2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 4,054,734	\$ (1,068,352)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Realized and unrealized (gains) losses on investments	(4,255,625)	141,448
Realized and unrealized gains on beneficial interest in perpetual trust	(33,897)	-
Depreciation	288,308	285,053
Amortization	16,854	22,473
Provision for doubtful accounts	-	56,090
Changes in operating assets and liabilities:		
Accounts receivable	(127,808)	11,066
Accrued interest receivable	5,486	-
Prepaid expenses and other assets	(6,775)	21,210
Beneficial interest in perpetual trust	(500,000)	
Accounts payable	48,030	(139,393)
Accrued expenses	(12,246)	58,200
Deferred revenue	(51,410)	67,797
Net cash used in operating activities	(574,349)	(544,408)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Sales of investments and return of capital	6,991,360	11,701,798
Purchases of investments	(6,282,914)	(11,040,384)
Purchases of property and equipment	(86,246)	(165,749)
Net cash provided by investing activities	622,200	495,665
Net increase (decrease) in cash and cash equivalents	47,851	(48,743)
Cash and cash equivalent, beginning of year	2,330,087	2,378,830
Cash and cash equivalent, end of year	\$ 2,377,938	\$ 2,330,087
The following table provides a reconciliation of cash, cash equivalents, and restricted cash and cash equivalents reported in the statements of financial position to the totals shown in the statements of cash flows:		
Cash and cash equivalents	\$ 1,860,036	\$ 1,977,333
Restricted cash and cash equivalents	517,902	352,754
	\$ 2,377,938	\$ 2,330,087

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

The Center for American and International Law  
NOTES TO THE FINANCIAL STATEMENTS

## BUSINESS ACTIVITY

The Center for American and International Law (“CAIL”) is a Texas nonprofit corporation dedicated to improving the quality of justice through the education for lawyers and law enforcement officials in the United States and throughout the world. Since its founding in 1947, tens of thousands of lawyers and law enforcement officers from all 50 states and more than 130 countries have participated in programs of CAIL. Through its courses, conferences, publications and membership activities, CAIL has earned a reputation for excellence in professional education. Much of CAIL’s work is accomplished through its five educational institutes, each specializing in different areas of the law.

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of significant accounting policies consistently applied in the preparation of the accompanying financial statements is as follows:

#### 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 (“GAAP”).

For record-keeping purposes, CAIL maintains its records on a fund basis, which each fund representing an institute or activity center. Each institute or activity center accounts for revenues and expenses of specific programs (e.g. antitrust law, oil and gas law, police supervision, contract courses, etc.).

#### Basis of Presentation

CAIL reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. Net assets, revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of CAIL and changes therein are classified and reported as follows:

*Net assets without donor restrictions* – Net assets available for use in general operations and not subject to donor imposed-imposed stipulations. Net assets without donor restrictions may be designated for specific purposes by action of the Board of Trustees. Grants or contributions that are restricted by donors are reported as increases in net assets without donor restrictions if the restrictions expire in the reporting period in which the grant or contribution is recognized.

*Net assets with donor restrictions* - Net assets subject to donor-imposed stipulations. Some donor-imposed stipulations are temporary in nature, such as those that may or will be met either by actions of CAIL and/or the passage of time. Other donor-imposed stipulations may be permanent in nature, where the donor stipulates that resources be maintained in perpetuity by CAIL. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities and changes in net assets as net assets released from restrictions.

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of net assets with donor restrictions (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

#### Revenue Recognition

Revenue is recognized as CAIL satisfies performance obligations under its contract, in an amount that reflects the consideration that it expects to be entitled to in exchange for those goods or services. The amount and timing of revenue recognition varies based on the nature of the goods provided and the terms and conditions of the member or customer contract. Revenues are recorded net of any sales taxes charged.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (Continued)

Performance obligations are determined based on the nature of the goods or services provided by CAIL in accordance with the contract. Revenue for performance obligations satisfied over time is recognized ratably over the period based on time elapsed. CAIL believes this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation.

Revenue for performance obligations satisfied at a point in time is generally recognized when goods or services are provided to customers at a single point in time and CAIL does not believe it is required to provide additional goods or services related to that sale. CAIL determines the transaction price based on standard charges for goods and services provided. CAIL's revenue streams do not have significant financing components or contract costs.

*Tuition From Programs / Project Income*

Revenue from contracts for CAIL's programs (training, seminars, workshops and education programs) are reported at the amount that reflects the consideration to which CAIL expects to be entitled in exchange for providing services to the customer. The performance obligations include application processing and providing the applicable training. Revenues are deferred and recognized as performance obligations are satisfied, which is at a point in time, when the program occurs.

*Grant Income*

Grants revenue result from agreements, typically with government agencies, corporations, or foundations, that fund specific activities of CAIL. The grants and contracts are of two primary types: conditional contributions and contracts with customers. An agreement is a conditional contribution if its primary purpose is to enable CAIL to provide a service to the general public rather than to serve the direct needs of the granting or contracting party. In other words, the agreement is a conditional contribution if any benefit to the granting or contracting party is indirect and insubstantial as compared to the public benefit. In contrast, if the grant or contract provides a benefit directly to the granting or contracting party, the agreement is a contract with a customer.

Conditional grants are recognized as CAIL incurs qualifying expenditures in compliance with rules and regulations established by the grantor. Certain grants may be paid on a cost-reimbursement basis, most often by drawdowns of the grant funds. Any unused funds are forfeited, and if any expenditures are not allowed, CAIL is required to refund the amounts drawn down. Grant activities and outlays are subject to audit and acceptance by the granting agency and, as a result of such audit, adjustments could be required.

*Annual Dues*

Revenue from contracts with members for annual dues is reported at the amount that reflects the consideration to which CAIL expects to be entitled in exchange for providing membership benefits to its members. Revenues from annual dues are deferred and recognized as performance obligations are satisfied, which is ratably over the membership term. Membership dues are assessed based on the subject bases institutes and the size and classification of the members within those institutes.

*Royalties on Publication*

Royalties on publications represent amounts earned as a percentage of gross receipts based on the various types of concession sales. Royalties are recognized as performance obligations are satisfied, which is at a point in time, when the sales generating the royalties occur.

*Sponsorships*

Revenue from sponsorships are reported at the amount that reflects the consideration to which CAIL expects to be entitled in exchange for providing services to the customer. Revenues are deferred and recognized as performance obligations are satisfied, which is at a point in time, when the sponsored event occurs.

The Center for American and International Law  
NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (Continued)

*Contributions*

Contributions are recognized as revenues in the period unconditional promises to give are received. All contributions are considered to be without donor restriction use unless specifically restricted by the donor. Conditional promises to give are not recognized until they become unconditional, that is when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value at the time of the contribution.

Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as support with donor restrictions. Absent explicit donor stipulations about how long those long-lived assets must be maintained, CAIL reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Contributed Services

CAIL receives donations of time and effort from trustees, advisory board members, program chairs, lecturers and students. Contributed services are reflected in the financial statements at the fair value of the services received. Contributions of services are recognized if the services received (a) create or enhance non-financial assets or (b) require specialized skill that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. No contributed services have been recorded in the financial statements for the years ended June 30, 2021 and 2020.

Functional Allocation of Expenses

CAIL's main program is to provide continuing education for the legal and law enforcement professions. The costs of providing various programs and supporting services have been summarized on a functional basis in the accompanying statements of functional expenses. Certain categories of expenses that are attributable to more than one program or supporting functional require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include occupancy and depreciation, which are allocated on a square footage basis, as well as salaries and wages, benefits, lecturers and speakers, participant related expenses, professional fees, and other expenses, which are allocated based on management's estimate of time and effort.

Use of Estimates

The preparation of financial statements in conformity with 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 revenues and expenses during the reporting period. Actual results could differ significantly from those estimates.

Cash and Cash Equivalents

CAIL considers all highly liquid instruments purchased with original maturities of ninety days or less to be cash equivalents. Pursuant to grants by the Texas Court of Criminal Appeals, CAIL is required to maintain grant funds in separate bank accounts. As of June 30, 2021 and 2020, \$517,902 and \$352,754 were maintained in separate bank accounts. The funds are used to provide practical educational forums to support members of the criminal justice system, often with a focus on capital trial issues and innocence law.

CAIL maintains cash balances at several financial institutions, which at times may exceed insured limits. CAIL has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk.

The Center for American and International Law  
NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents (Continued)

Cash and securities maintained through a registered securities dealer are insured up to \$500,000 by the Securities Investor Protection Corporation (“SIPC”). SIPC covers losses from fraud and negligence of the registered securities dealer, but not against market losses or investment return. Balances held in accounts may still at times exceed insured limits. CAIL has not incurred any losses in these accounts, outside normal trading activities, and does not believe that they are exposed to any significant credit risk.

Accounts Receivable

Member dues receivable are stated at the amount of consideration from members of which CAIL has an unconditional right to receive less an estimate made for doubtful accounts. Management periodically reviews accounts on an individual basis. Management considers CAIL’s history with the member and the size of the account in evaluating the allowance for doubtful accounts. Member dues receivable not collected with 75 days after year-end are written off. Recoveries of member dues receivable previously written off are recorded when received. The allowance for uncollectible dues receivable is \$110,746 and \$96,350 at June 30, 2021 and 2020, respectively. In the event of complete nonperformance, the maximum exposure to CAIL is the outstanding receivable balance at the date of nonperformance.

Tuition, royalties and other accounts receivable represent contractual amounts due in the ordinary course of business, of which CAIL has an unconditional right to receive, and are stated at the amount management expects to collect. Management periodically reviews accounts on an individual basis. Management considers CAIL’s history with the obligor and the size of the account in evaluating the allowance for doubtful accounts. Accounts receivable are written off when deemed uncollectible. Recoveries of accounts receivable previously written off are recorded when received. In the event of complete nonperformance, the maximum exposure to CAIL is the outstanding receivable balance at the date of nonperformance.

Contribution Receivable

Unconditional promises to give that are expected to be collected within one year are recorded as receivables at their estimated realizable value in the year made. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated cash flows. The discounts on those amounts are computed using the risk-free interest rates applicable to the year in which the promises are received. Amortization of the discounts is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions. Management determines its allowance for doubtful contributions based on past due amounts and other available information regarding the current status of individual accounts and current economic conditions. CAIL writes off contributions receivable when they become uncollectible. Recoveries of contributions receivable previously written off are recorded when received. In the event of complete nonperformance, the maximum exposure to CAIL is the outstanding receivable balance at the date of nonperformance.

Investments

JPMorgan Chase Bank, N.A. serves as CAIL’s primary investment manager and manages CAIL’s investment portfolio subject to specific guidelines. CAIL holds a limited number of units of participation with Commonfund, an asset management firm. These units of participation are stated at fair value, based upon the fair value of the underlying assets, as determined by Commonfund. Investments in limited liability partnerships are stated at the net asset value. Fair value is determined by the investment managers of the limited liability partnerships based on the net asset value of the underlying collateral. Donated securities are recorded at fair value at the date of donation.

Realized and unrealized gains and losses on investments are determined by comparison of the actual cost to the proceeds at the time of the disposition or fair values as of the end of the financial statement period. Interest income is recognized on the accrual basis and dividends are recognized on the ex-dividend date. Investment income is presented net of investment fees in the accompanying statements of activities and changes in net assets.

The Center for American and International Law  
NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments (Continued)

Investments are exposed to various risks, such as interest rate, overall market volatility, and credit risk. Due to the level of risk associated with certain investments held by CAIL, it is at least reasonably possible that changes in the values of the investments will occur in the near term and that such changes could materially affect the amounts reported in the statements of financial position.

Recent market conditions have resulted in an unusually high degree of volatility and increased the risks and may affect the short term liquidity associated with certain investments held by CAIL which could impact the value of investments after the date of these financial statements. Because the values of individual investments fluctuate with market conditions, the amount of gains or losses that will be recognized in subsequent periods, if any, cannot be determined.

Property and Equipment

Property and equipment are recorded at cost as of the date of acquisition or fair value at the date of gift if donated, less accumulated depreciation. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets, which range from three to fifteen years for furniture and equipment, and fifty years for the building. Rare books and documents are not depreciated. Expenditures for major additions and improvements that substantially increase useful lives are capitalized and minor replacements, repairs and maintenance costs are expensed as incurred. CAIL's policy is to expense repairs and maintenance and all items under \$1,000. When units of property and equipment are retired or otherwise disposed of, their cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is included in operations.

Deferred Revenue

Deferred revenue represents revenues for tuition, annual dues and other events received in the current year which have not been earned at year-end. These amounts will be recorded as revenue at the point when they are considered to be earned.

Federal Income Taxes

CAIL is a nonprofit organization and exempt from federal income tax under 501(c)(3) of the Internal Revenue Code ("IRC"), except to the extent it has unrelated business income. Should CAIL engage in activities unrelated to the purpose for which it was created, taxable income could result. In addition, CAIL been determined by the Internal Revenue Service not to be a private foundation within the meaning of Section 509(a) of the IRC. For the years June 30, 2021 and 2020, CAIL had no material net unrelated business income. Accordingly, no provision for income tax has been provided in the accompanying financial statements.

GAAP requires the evaluation of tax positions taken or expected to be taken in the course of preparing CAIL's financial statements to determine whether the tax positions are more likely than not of being sustained by the applicable tax authority. Tax positions not deemed to meet the more likely than not threshold would be recorded as a tax benefit or expense in the current year. A reconciliation is not provided herein, as the beginning and ending amounts of unrecognized benefits are zero, with no interim additions, reductions, or settlements. However, the conclusions regarding accounting for uncertainty in income taxes will be subject to review and may be adjusted at a later date based on factors including, but not limited to, ongoing analysis of tax laws, regulations, and interpretations thereof.

CAIL's informational returns filed in the U.S. federal jurisdiction are generally subject to examination for three years after the later of the due date or date of filing.

Reclassifications

Certain prior year amounts have been reclassified to conform to the current year financial statement presentation.

The Center for American and International Law  
NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Newly Adopted Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2014-09, *Revenue Recognition (Topic 606): Revenue from Contracts with Customers* (“ASU No. 2014-09”). This ASU introduces a new five-step revenue recognition model in which an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The amendments in this ASU are effective for annual reporting periods beginning after December 15, 2019, and interim reporting periods within annual reporting periods beginning after December 15, 2019. Various subsequent accounting standards updates have been issued by the FASB that clarify, modify, or expand the guidance for ASU No. 2014-09 (collectively referred to as “Topic 606”).

CAIL adopted the updated guidance of Topic 606 with an initial date of application of July 1, 2020, applying the modified retrospective method. Adoption of Topic 606 using the modified retrospective method required CAIL to apply the guidance retrospectively with the cumulative effect of initially applying the updated guidance recognized as an adjustment to the opening net assets balance at the date of initial application. Under this transition method, an entity may elect to apply the guidance retrospectively either (1) to all contracts at the date of initial application, or (2) only to contracts that are not completed contracts at the date of initial application. CAIL elected to apply the guidance retrospectively only to contracts that were not completed contracts at the date of initial application, and the result of this adoption did not have a material impact on CAIL’s financial statements.

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958) Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The FASB issued this ASU to clarify and improve the scope and the accounting guidance for contributions received and contributions made. The amendments in this ASU assists entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, *Not-for-Profit Entities*, or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. CAIL adopted ASU 2018-08 effective July 1, 2019. The adoption of this accounting standard did not have a material impact on CAIL’s financial statements.

In August 2018, the FASB issued ASU 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement*, which modifies disclosure requirements on fair value measurements. CAIL adopted ASU 2018-13 effective July 1, 2020. The adoption of this accounting standard did not have a material impact on CAIL’s financial statements.

Recent Accounting Pronouncements

In September 2020, the FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The objective of this ASU is to increase transparency of contributed nonfinancial assets for not-for-profit (“NFP”) entities through enhancements to presentation and disclosure. The amendments in this ASU apply to NFPs that receive contributed nonfinancial assets. Contribution revenue may be presented in the financial statements using different terms (for example, gifts, donations, grants, gifts-in-kind, donated services, or other terms). The term nonfinancial asset includes fixed assets (such as land, buildings, and equipment), use of fixed assets or utilities, materials and supplies, intangible assets, services, and unconditional promises of those assets. The amendments in this ASU will improve financial reporting by providing new presentation and disclosure requirements about contributed nonfinancial assets for NFPs, including additional disclosure requirements for recognized contributed services. The amendments will not change the recognition and measurement requirements. ASU 2020-07 is effective for fiscal years beginning after June 15, 2021, and interim periods within annual periods beginning after June 15, 2022. Early application of the amendments is permitted. The amendments in this ASU should be applied on a retrospective basis.



The Center for American and International Law  
NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recent Accounting Pronouncements (Continued)

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. Under the new guidance, a lessee will be required to recognize assets and liabilities for leases with lease terms of more than twelve months. Consistent with current GAAP, the recognition, measurement, and presentation of expenses and cash flows arising from a lease by a lessee primarily will depend on its classification as a finance or operating lease. However, unlike current GAAP - which requires only capital leases to be recognized on the statements of financial position - the new ASU will require both types of leases to be recognized on the statements of financial position. Various subsequent accounting standards have been issued by the FASB that clarify, modify, or expand the guidance for Topic 842. ASU 2016-02 is effective for fiscal years beginning after December 15, 2021 and for interim periods within fiscal years beginning after December 15, 2022. Early application of the amendments in this ASU is permitted.

CAIL is currently assessing the impact these recent accounting pronouncements will have on its financial statements.

2. LIQUIDITY AND AVAILABILITY OF RESOURCES

Financial assets available for general expenditures, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position are as follows:

	<u>2021</u>	<u>2020</u>
Financial assets:		
Cash and cash equivalents	\$ 1,860,036	\$ 1,977,333
Restricted cash and cash equivalents	517,902	352,754
Accounts receivable - net	520,894	393,086
Accrued interest receivable	21,786	27,272
Beneficial interest in perpetual trust	533,897	-
Investments	<u>25,607,314</u>	<u>22,076,989</u>
	29,061,829	24,827,434
Less those unavailable for general expenditures with one year:		
Investments in limited partnerships not redeemable within one year	(1,307,085)	(1,210,634)
Net assets with donor restrictions	(1,858,331)	(886,136)
Board designated funds	<u>(6,669,338)</u>	<u>(21,636,439)</u>
Financial assets available for general expenditures within one year	<u>\$ 19,227,075</u>	<u>\$ 1,094,225</u>

CAIL regularly monitors liquidity required to meet its operating needs and other contractual commitments while also striving to maximize the return on investments of its funds not required for annual operations. Cash in excess of daily requirements is invested in various short-term investments with maturities designated to meet obligations as they come due.

Investments designated by the Board of Trustees could be readily liquidated and drawn upon in the event of financial distress or an immediate liquidity need resulting from events outside the typical life cycle of converting financial assets to cash or settling financial liabilities, if the Board of Trustees approves that action. In addition to financial assets available to meet general expenditures over the next twelve months, CAIL anticipates collecting sufficient revenues to cover general expenditures.

### 3. INVESTMENTS AND FAIR VALUE MEASUREMENTS

Under GAAP, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e., the exit price) in an orderly transaction between market participants in the most advantageous market for the investment or liability at the measurement date. In determining fair value, CAIL uses various valuation approaches. GAAP establishes a fair value hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are those that market participants would use in pricing the asset or liability based on market data obtained from sources independent of CAIL. Unobservable inputs reflect CAIL's assumptions about the inputs, that market participants would use in pricing the asset or liability, developed based on the best information available in the circumstances. The fair value hierarchy is categorized into three levels based on the inputs as follows:

*Level 1 Inputs* - Quoted prices (unadjusted) in active markets for identical assets and liabilities. Valuations of these instruments do not require a high degree of judgment since the valuations are based on readily available quoted prices in active markets.

*Level 2 Inputs* - Quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities that are not active; and inputs other than quoted prices that are observable, such as models or other valuation methodologies. Valuations in this category are inherently less reliable than quoted market prices due to the degree of subjectivity involved in determining appropriate methodologies and the applicable underlying assumptions.

*Level 3 Inputs* - Unobservable inputs for the valuation of the asset or liability. Level 3 assets include investments for which there is little, if any, market activity. These inputs require significant management judgment or estimation. These financial instruments have inputs that cannot be validated by readily determinable market data and generally involve considerable judgment by management.

Accordingly, the degree of judgment exercised by CAIL in determining fair value is greatest for measurements categorized in Level 3. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the level in the fair value hierarchy within which the fair value measurement in its entirety falls is determined based on the lowest level input that is significant to the fair value measurement. CAIL's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the financial instrument.

Changes in economic conditions or model-based valuation techniques may require the transfer of financial instruments from one fair value level to another.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used as of June 30, 2021 and 2020.

*Mutual funds and exchange traded funds:* valued at the published market price, which represents the net asset value. The investments in mutual funds and exchange traded funds ("ETFs") are considered Level 1 investments.

*Short-term and alternative investments:* valued at the published market price, which represents the net asset value. The investments in short-term investments are considered Level 1 investments.

*Fixed income securities:* valued using quoted prices for investments with similar yields and terms. The investments in fixed income securities are considered Level 2 investments.

*Investments in limited partnerships:* valued is determined by the sponsor of the respective partnership based on the net asset value of units held by CAIL, which is a market based approach on the fair value of the underlying securities, closing market quotes or other fair value determination of the underlying assets. The net asset values are determined by the sponsor based upon the latest investee information available from the underlying securities, using fair value estimation techniques, substantiated in part, by audited financial statements. However, given the inherent limitations in any estimation technique, the values presented herein are not necessarily indicative of the amount that CAIL could realize in a current transaction.

The Center for American and International Law  
NOTES TO THE FINANCIAL STATEMENTS

3. INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while CAIL believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table summarizes the carrying amounts and estimated fair values by level, within the fair value hierarchy, of CAIL's financial instruments measured at fair value in the statement of financial position at June 30, 2021:

	Carrying Value	Measured at Fair Value	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Equity mutual funds and exchange traded funds	\$ 14,962,926	\$ 14,962,926	\$ 14,962,926	\$ -	\$ -
Short-term investments	789,288	789,288	789,288	-	-
Alternative investments	1,402,041	1,402,041	1,402,041	-	-
Fixed income securities	<u>7,145,974</u>	<u>7,145,974</u>	<u>1,923,352</u>	<u>5,222,622</u>	-
	24,300,229	24,300,229	<u>\$ 19,077,607</u>	<u>\$ 5,222,622</u>	<u>\$ -</u>
Investments in limited partnerships (a)	<u>1,307,085</u>	<u>1,307,085</u>			
Total investments at fair value	<u>\$ 25,607,314</u>	<u>\$ 25,607,314</u>			
Beneficial interest in perpetual trust (a)(b)	<u>\$ 533,897</u>	<u>\$ 533,897</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The following table summarizes the carrying amounts and estimated fair values by level, within the fair value hierarchy, of CAIL's financial instruments measured at fair value in the statement of financial position at June 30, 2020:

	Carrying Value	Measured at Fair Value	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Equity mutual funds and exchange traded funds	\$ 10,869,675	\$ 10,869,675	\$ 10,869,675	\$ -	\$ -
Short-term investments	888,355	888,355	888,355	-	-
Alternative investments	1,127,028	1,127,028	1,127,028	-	-
Fixed income securities	<u>7,981,297</u>	<u>7,981,297</u>	<u>2,592,482</u>	<u>5,388,815</u>	-
	20,866,355	20,866,355	<u>\$ 15,477,540</u>	<u>\$ 5,388,815</u>	<u>\$ -</u>
Investment in limited partnerships (a)	<u>1,210,634</u>	<u>1,210,634</u>			
Total investments at fair value	<u>\$ 22,076,989</u>	<u>\$ 22,076,989</u>			

(a) These investments are valued using net asset value as a practical expedient, and therefore have not been classified in the fair value hierarchy.

(b) *Beneficial interest in perpetual trust*: valued is determined by the custodian of the assets, based on the net asset value of units held by CAIL, which is a market based approach on the fair value of the underlying securities, closing market quotes or other fair value determination of the underlying assets. The net asset values are determined by the custodian based upon the latest investee information available from the underlying securities, using fair value estimation techniques, substantiated in part, by audited financial statements. However, given the inherent limitations in any estimation technique, the values presented herein are not necessarily indicative of the amount that CAIL could realize in a current transaction.

The Center for American and International Law  
NOTES TO THE FINANCIAL STATEMENTS

3. INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)

The following table provides additional information that will help describe the nature of the investments in limited partnerships:

	Total Amount <u>Committed</u>	Amount <u>Called to Date</u>	Remaining <u>Commitments</u>
Commonfund Capital Private Equity Partners VII, L.P. (c)	\$ 1,000,000	\$ 930,000	\$ 70,000
Endowment Venture Partners IV, L.P. (c)	1,000,000	982,500	17,500
Mezzanine Private Investors III, L.P. (d)	500,000	438,369	61,631
KKR North America Fund XI, L.P. (e)	500,000	477,004	22,996

- (c) Commonfund Capital, Inc. (“CCP”) Partnerships are structured as closed-ended limited partnership investments and do not provide liquidity or redemption options. CCI partnerships do not have liquidity provisions. An investor seeking liquidation will need to consider selling their partnership interest through the secondary market.

Commonfund Capital Private Equity Partners VII, L.P. was organized for the purpose of providing endowment funds and non-profit organizations the opportunity to invest in private investment funds, which in turn, make investments in equity securities, warrants or other options that are generally not actively traded at the time of investment. This limited partnership may also invest in operating companies as direct investments or co-investment opportunities.

Endowment Venture Partners IV, L.P. was organized for the purpose of providing endowment funds and non-profit organizations the opportunity to invest in private investment funds, which in turn, make venture capital investments primarily in emerging growth companies with the objective of obtaining long-term capital growth.

- (d) HPS Mezzanine Private Investors III, L.P. is a closed private equity fund managed by HPS Investment Partners. This fund invests primarily in junior debt and equity securities across a broad set of industries with a focus on North America and Western Europe. The partnership does not have liquidity provisions. An investor seeking liquidation will need to consider selling their partnership interest through the secondary market.
- (e) KKR North America Fund XI, L.P. is a closed private equity fund managed by Kohlberg Kravis Roberts. This fund seeks capital appreciation through direct private equity and other equity and debt related investments. The partnership does not have liquidity provisions. An investor seeking liquidation will need to consider selling their partnership interest through the secondary market.

Investment earnings consist of the following for the years ended June 30:

	<u>2021</u>	<u>2020</u>
Interest and dividend income	\$ 600,495	\$ 561,975
Income from limited partnerships and other	280,208	259,178
Realized and unrealized (gains) losses on investments	4,255,625	(141,448)
Realized and unrealized gains on beneficial interest in perpetual trust	33,897	-
Investment advisory fees	(141,030)	(118,059)
	<u>\$ 5,029,195</u>	<u>\$ 561,646</u>

The Center for American and International Law  
NOTES TO THE FINANCIAL STATEMENTS

4. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30:

	<u>2021</u>	<u>2020</u>
Land	\$ 1,206,737	\$ 1,206,737
Building	9,453,897	9,453,897
Rare books and documents	47,746	47,746
Furniture and equipment	<u>2,999,108</u>	<u>2,915,195</u>
	13,707,488	13,623,575
Less: accumulated depreciation	<u>(6,117,074)</u>	<u>(5,831,099)</u>
	<u>\$ 7,590,414</u>	<u>\$ 7,792,476</u>

Depreciation expense totaled \$288,308 and \$285,053 for the years ended June 30, 2021 and 2020, respectively.

5. PENSION PROGRAM

CAIL has a safe harbor 403(b) plan in place to provide substantially all employees an opportunity to save for retirement on a tax-advantage basis. CAIL matches 100% of the first 6% of eligible compensation contributed by the employee as a safe harbor matching contribution. Pension expense for the years ended June 30, 2021 and 2020 amounted to \$117,831 and \$109,841, respectively.

6. NET ASSETS WITHOUT DONOR RESTRICTIONS

Net assets without donor restrictions are available for the following purposes at June 30:

	<u>2021</u>	<u>2020</u>
Undesignated funds	\$ 27,424,715	\$ 9,375,075
Board designated funds:		
Designated as reserves	6,069,320	21,092,480
Co-sponsored activities	19,658	19,658
Academy scholarships	130,360	111,824
Energy law reserve	<u>450,000</u>	<u>412,477</u>
	<u>6,669,338</u>	<u>21,636,439</u>
Total net assets without donor restrictions	<u>\$ 34,094,053</u>	<u>\$ 31,011,514</u>

The Center for American and International Law  
NOTES TO THE FINANCIAL STATEMENTS

7. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes or periods at June 30:

	2021	2020
Perpetual in nature:		
Law Enforcement Institute activities	\$ 70,000	\$ 70,000
International legal activities	124,085	124,085
Activities of CAIL	126,000	126,000
Vester Hughes Fellows Fund	500,000	-
	820,085	320,085
For a specified purpose:		
Criminal justice training	508,272	352,754
Higginbotham lecture series	126,310	128,310
Rule of Law	26,122	51,793
Law Enforcement Institute alumni	14,537	14,132
Law Enforcement Institute activities	46,648	19,062
Vester Hughes Fellows Fund	33,897	-
Capital improvements	282,460	-
	1,038,246	566,051
	\$ 1,858,331	\$ 886,136

8. NET ASSETS RELEASED FROM RESTRICTIONS

The following is a summary of net assets released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of events specified by the donors for the years ended June 30:

	2021	2020
Criminal justice training	\$ 198,853	\$ 466,842
Rule of Law	25,671	18,207
Capital improvements	17,540	-
Higginbotham lecture series	2,000	-
Law Enforcement Institute activities	5,916	1,278
	\$ 249,980	\$ 486,327

9. ENDOWMENT

The CAIL's endowment consists of individual endowment funds established for a variety of purposes including both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments (quasi-endowments).

Net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. Endowment funds without donor restriction represent the Board-designated endowment.

Interpretation of Relevant Law

The Board of Trustees of CAIL has interpreted the Uniform Prudent Management of Institutional Funds Act ("UPMIFA"), adopted by the State of Texas, as allowing CAIL, absent donor stipulations to the contrary as stated in the gift instrument, to appropriate so much of a donor-restricted endowment fund as CAIL determines is prudent for the uses, benefits, purposes, and duration for which the endowment is established. The assets in the endowment fund remain restricted until appropriated for expenditure by CAIL. The following factors are considered in making a determination to appropriate or accumulate donor-restricted endowment funds: 1) the duration and preservation of the fund; 2) the purposes of CAIL and the donor-restricted endowment fund; 3) general economic conditions; 4) the possible effect of inflation and deflation; 5) the expected total return from income and the appreciation of investments; 6) other resources of CAIL; and 7) the investment policies of CAIL.

The Center for American and International Law  
NOTES TO THE FINANCIAL STATEMENTS

9. ENDOWMENT (Continued)

Interpretation of Relevant Law (Continued)

CAIL's endowments by net asset class as of June 30, 2021, in total and by type of endowment fund, showing donor-restricted endowment fund activity separately from Board-designated quasi-endowment funds, are as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 636,654	\$ 636,654
Board-designated quasi-endowment funds	408,281	-	408,281
Total	<u>\$ 408,281</u>	<u>\$ 636,654</u>	<u>\$ 1,044,935</u>

CAIL's endowments by net asset class as of June 30, 2020, in total and by type of endowment fund, showing donor-restricted endowment fund activity separately from Board-designated quasi-endowment funds, are as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 89,061	\$ 89,061
Board-designated quasi-endowment funds	350,170	-	350,170
Total	<u>\$ 350,170</u>	<u>\$ 89,061</u>	<u>\$ 439,231</u>

The summary of changes in endowment assets for the year ended June 30, 2021 are as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, June 30, 2020	\$ 350,170	\$ 89,061	\$ 439,231
Total investment return	58,111	548,673	606,784
Contributions	-	-	-
Appropriation of endowment assets for expenditure	-	(1,080)	(1,080)
Endowment net assets, June 30, 2021	<u>\$ 408,281</u>	<u>\$ 636,654</u>	<u>\$ 1,044,935</u>

The summary of changes in endowment assets for the year ended June 30, 2020 are as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, June 30, 2019	\$ 352,306	\$ 89,609	\$ 441,915
Total investment return	(2,136)	(548)	(2,684)
Contributions	-	-	-
Appropriation of endowment assets for expenditure	-	-	-
Endowment net assets, June 30, 2020	<u>\$ 350,170</u>	<u>\$ 89,061</u>	<u>\$ 439,231</u>

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires CAIL to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature are reported in net assets without donor restrictions. Deficiencies result from unfavorable market fluctuations that occur shortly after the investment of new contributions with donor restrictions and continued appropriation for certain programs that was deemed prudent by the Board of Trustees. Subsequent gains that restore the fair value of the assets of the endowment fund to the required level will be classified as an increase in unrestricted net assets. There were no such deficiencies at June 30, 2021 and 2020.

The Center for American and International Law  
NOTES TO THE FINANCIAL STATEMENTS

9. ENDOWMENT (Continued)

Investment Policy Statement

CAIL has adopted investment and spending policies, approved by the Board of Trustees, to task the investment managers to manage the CAIL's investment portfolio subject to these guidelines: 1) CAIL depends on its investment portfolio to provide substantial operating funds on an annual basis; 2) CAIL is a not-for-profit organization that has a historical mission to provide adult education and it intends to continue in perpetuity; and 3) CAIL's risk tolerance is moderate.

The most important component of an investment strategy is the asset mix, or the allocation between various asset classes available to CAIL for investment purposes. The general policy is to diversify investments to provide a balance that will enhance total return while avoiding undue risk concentration in any single asset class or investment category. Targets and allowable ranges are as follows:

	Target	Allowable Ranges
Equities	50%	35% - 65%
Alternative assets	9%	0% - 24%
Fixed income and cash	41%	26% - 56%
	100%	

Spending Policy

It is CAIL's policy to liquidate annually up to 5% of the market value at March 31<sup>st</sup> of a three year moving average of the marketable investments. The asset base used in the calculation includes reinvested income and appreciation, both earned and unearned.

10. COMMITMENTS AND CONTINGENCIES

Lease Commitments

CAIL leases office equipment under various non-cancelable operating lease agreements. Management expects that, in the normal course of business, leases that expire will be renewed or replaced by other leases. The following is a schedule of future minimum lease payments required by non-cancellable operating leases with initial or remaining terms in excess of one year at June 30:

2022		\$	23,321
2023			23,321
2024			4,039
		\$	50,681

Total equipment rental expense was \$31,034 and \$147,930 for the years ended June 30, 2021 and 2020, respectively

Contingencies

In the normal course of business, CAIL may become involved in certain legal actions, claims or disputes. As of June 30, 2021, management was not aware of any such actions against CAIL for which an unfavorable outcome would have a material adverse effect upon the operations or results of CAIL.



#### 11. BENEFICIAL INTEREST IN PERPETUAL TRUST

CAIL has been named as an irrevocable beneficiary of a perpetual trust held and administered by an independent trustee. The perpetual trust provides for the distribution of the net income of the trust to CAIL; however, CAIL will never receive the assets of the trust. The perpetual trust is invested in the HighGround Capstone Endowment Fund (the “Fund”). Northern Trust Company serves as the custodian of the Fund and carries out all administrative services related to the Fund, including calculating the Fund’s net asset value, unit values, income distributions and other distributions. The Fund is a commingled investment fund designed for long-term endowment assets, and employs a globally diversified multi-asset class strategy with a risk and return profile that aligns with the perpetual investment horizon and long-term objectives of endowment assets. The Fund is managed as a fund-of-funds and constructed using HighGround’s asset class funds including public equity and fixed income, as well as illiquid and semi-liquid alternative investments to reduce portfolio risk and enhance long-term investment performance. The beneficial interest in the trust is reported at the fair value of the trust’s assets in the statements of financial position, with trust distributions and changes in fair value recognized in the statements of activities and changes in net assets. The earnings from this trust for the years ended June 30, 2021 and 2020 were \$33,897 and \$-, respectively.

#### 12. GLOBAL PANDEMIC

In December 2019, a novel strain of coronavirus (“COVID-19”) was reported to have surfaced in China. The World Health Organization has declared COVID-19 to constitute a “Public Health Emergency of International Concern” and characterized COVID-19 as a pandemic. The U.S. government has also implemented enhanced screenings, quarantine and social distancing requirements and travel restrictions in connection with the COVID-19 outbreak. The spread of this virus has caused business disruption to CAIL beginning in March 2020, because large gatherings, including corporate events, conferences and trade shows have either been cancelled, postponed, put on hold, or in some cases, have been converted to virtual meetings, resulting in the temporary closure of CAIL’s administrative offices and an overall decrease in training revenue. While CAIL expects this matter to impact its results, the extent of the impact of COVID-19 on CAIL’s operational and financial performance will depend on future developments, including the duration and spread of the outbreak, government imposed restrictions and the impact of COVID-19 on overall demand for CAIL’s services, all of which are highly uncertain and cannot be predicted.

#### 13. SUBSEQUENT EVENTS

CAIL has evaluated subsequent events through January 26, 2022, the date the financial statements were available to be issued.