



IRA L. SCHALL, CPA  
DAVID C. ASHENFARB, CPA  
MICHAEL L. SCHALL, CPA

**CARNEGIE COUNCIL FOR ETHICS  
IN INTERNATIONAL AFFAIRS, INC. AND AFFILIATE**

Combining Audited Financial Statements

June 30, 2022

## **INDEPENDENT AUDITORS' REPORT**

To the Board of Trustees of  
Carnegie Council for Ethics in International Affairs, Inc., and Affiliate

### ***Opinion***

We have audited the accompanying financial statements of Carnegie Council for Ethics in International Affairs, Inc. and Affiliate (the "Council and Affiliate"), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Council and Affiliate as of June 30, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Basis for Opinion***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Council and Affiliate 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 these financial statements in accordance with accounting principles generally accepted in the United States of America and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

### ***Auditors' Responsibility for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users on the basis of these financial statements.

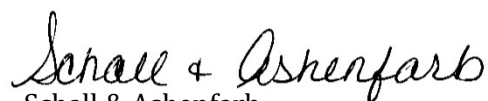
In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Council and Affiliate'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 Council and Affiliate'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 the Council and Affiliate's 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 16, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021 is consistent, in all material respects, with the audited financial statements from which it has been derived.

  
Schall & Ashenfarb  
Certified Public Accountants, LLC

December 12, 2022

**CARNEGIE COUNCIL FOR ETHICS IN INTERNATIONAL AFFAIRS, INC. AND AFFILIATE  
COMBINED STATEMENT OF FINANCIAL POSITION**

**AT JUNE 30, 2022**

(With comparative totals at June 30, 2021)

	<u>Total</u> <u>6/30/22</u>	<u>Total</u> <u>6/30/21</u>
<b>Assets</b>		
Cash and cash equivalents	\$2,004,873	\$2,085,298
Pledges receivable (Note 3)	2,925,000	1,488,314
Program fees and other receivables	0	34,710
Prepaid expenses	36,523	59,916
Fixed assets, net (Note 4)	1,274,307	537,761
Cash and cash equivalents - board designated fund (Note 6)	278,530	115,816
Investments at fair value - board designated fund (Notes 5 and 6)	30,924,315	36,581,712
Investments in limited partnerships and private equity - board designated fund (Notes 5 and 6)	1,906,698	2,138,858
Works of art	91,850	91,850
	<u>\$39,442,096</u>	<u>\$43,134,235</u>
<b>Liabilities and Net Assets</b>		
Liabilities:		
Accounts payable and accrued expenses	\$334,532	\$59,092
Grant advances	107,322	773,271
Total liabilities	<u>441,854</u>	<u>832,363</u>
Net assets:		
Without donor restrictions:		
Operations	2,766,188	2,702,172
Board designated (Note 6)	33,109,543	38,836,386
Total without donor restrictions	<u>35,875,731</u>	<u>41,538,558</u>
With donor restrictions (Note 7)	<u>3,124,511</u>	<u>763,314</u>
Total net assets	<u>39,000,242</u>	<u>42,301,872</u>
Total liabilities and net assets	<u>\$39,442,096</u>	<u>\$43,134,235</u>

*The attached notes and auditors' report are an integral part of these financial statements.*

**CARNEGIE COUNCIL FOR ETHICS IN INTERNATIONAL AFFAIRS, INC. AND AFFILIATE**  
**COMBINED STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2022**  
(With comparative totals for the year ended June 30, 2021)

	Without Donor Restrictions	With Donor Restrictions	Total 6/30/22	Total 6/30/21
Revenue and other support:				
Dividend and interest income	\$664,742		\$664,742	\$671,102
Contributions for programs	999,848	4,218,016	5,217,864	2,514,763
Paycheck Protection Program (Note 8)	0		0	426,095
Program and membership fees	6,248		6,248	133,336
Publishing fees and other income	93,698		93,698	93,942
Net assets released from restriction (Note 7)	1,856,819	(1,856,819)	0	0
Total revenue and other support	<u>3,621,355</u>	<u>2,361,197</u>	<u>5,982,552</u>	<u>3,839,238</u>
Expenses:				
Program services	<u>3,910,736</u>		<u>3,910,736</u>	<u>4,093,830</u>
Supporting services:				
Management and general	580,451	0	580,451	584,900
Fundraising	266,617	0	266,617	238,045
Total supporting services	<u>847,068</u>	<u>0</u>	<u>847,068</u>	<u>822,945</u>
Total expenses	<u>4,757,804</u>	<u>0</u>	<u>4,757,804</u>	<u>4,916,775</u>
Change in net assets from operating activities	<u>(1,136,449)</u>	<u>2,361,197</u>	<u>1,224,748</u>	<u>(1,077,537)</u>
Non-operating activities:				
Net investment return (Note 5)	<u>(4,526,378)</u>		<u>(4,526,378)</u>	<u>5,710,267</u>
Change in net assets	(5,662,827)	2,361,197	(3,301,630)	4,632,730
Net assets - beginning of year	<u>41,538,558</u>	<u>763,314</u>	<u>42,301,872</u>	<u>37,669,142</u>
Net assets - end of year	<u>\$35,875,731</u>	<u>\$3,124,511</u>	<u>\$39,000,242</u>	<u>\$42,301,872</u>

*The attached notes and auditors' report are an integral part of these financial statements.*

**CARNEGIE COUNCIL FOR ETHICS IN INTERNATIONAL AFFAIRS, INC. AND AFFILIATE**  
**COMBINED STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2022**

With comparative totals for the year ended June 30, 2021

	Program services					Supporting Services					
	Impact Initiatives	Public Affairs	Communications and Internet Multimedia	Print Publications	Climate Geoengineering Governance Project	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total 6/30/22	Total 6/30/21
Salaries	\$146,497	\$164,595	\$643,493	\$119,537	\$239,719	\$1,313,841	\$305,660	\$154,923	\$460,583	\$1,774,424	1,693,562
Payroll taxes and employee benefits	39,185	44,025	172,116	31,974	64,118	351,418	81,756	41,435	123,191	474,609	400,324
Professional fees	21,624	24,296	64,748	17,645	1,383,650	1,511,963	75,355	22,867	98,222	1,610,185	2,254,405
Office expenses	34,778	21,896	85,598	15,901	82,993	241,166	40,659	20,608	61,267	302,433	246,507
Marketing	6,949	7,807	30,523	5,670	11,371	62,320	14,499	7,349	21,848	84,168	0
Insurance	4,437	4,985	19,489	3,620	7,260	39,791	9,257	4,692	13,949	53,740	41,169
Repairs and maintenance	2,724	3,060	11,964	2,222	4,457	24,427	29,861	2,881	32,742	57,169	76,143
Program events and other meetings	3,360	3,775	14,757	2,742	58,448	83,082	7,010	3,551	10,561	93,643	19,761
Travel	2,564	2,881	11,263	2,092	28,400	47,200	5,350	2,713	8,063	55,263	3,827
Stipends					188,058	188,058			\$0	188,058	131,523
<b>Total expenses before depreciation</b>	<b>262,118</b>	<b>277,320</b>	<b>1,053,951</b>	<b>201,403</b>	<b>2,068,474</b>	<b>3,863,266</b>	<b>569,407</b>	<b>261,019</b>	<b>830,426</b>	<b>4,693,692</b>	<b>4,867,221</b>
Depreciation expense	5,293	5,947	23,250	4,319	8,661	47,470	11,044	5,598	16,642	64,112	49,554
<b>Total expenses</b>	<b>\$267,411</b>	<b>\$283,267</b>	<b>\$1,077,201</b>	<b>\$205,722</b>	<b>\$2,077,135</b>	<b>\$3,910,736</b>	<b>\$580,451</b>	<b>\$266,617</b>	<b>\$847,068</b>	<b>\$4,757,804</b>	<b>\$4,916,775</b>

*The attached notes and auditors' report are an integral part of these financial statements.*

**CARNEGIE COUNCIL FOR ETHICS IN INTERNATIONAL AFFAIRS, INC. AND AFFILIATE**  
**COMBINED STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2022**

(With comparative totals for the year ended June 30, 2021)

	<u>6/30/22</u>	<u>6/30/21</u>
Cash flows from operating activities:		
Change in net assets	(\$3,301,630)	\$4,632,730
Adjustments to reconcile change in net assets to net cash used for operating activities:		
Depreciation expense	64,112	49,554
Realized loss/(gain) on sale of investments	2,707	(373,955)
Unrealized loss/(gain) on investments	4,478,203	(5,370,050)
Changes in assets and liabilities:		
Pledges receivable	(1,436,686)	(101,374)
Program fees and other receivable	34,710	5,274
Prepaid expenses	23,393	(28,667)
Accounts payable and accrued expenses	275,440	6,870
Grant advances	(665,949)	(429,593)
Paycheck Protection Program loan payable	0	(426,095)
Total adjustments	<u>2,775,930</u>	<u>(6,668,036)</u>
Net cash used for operating activities	<u>(525,700)</u>	<u>(2,035,306)</u>
Cash flows from investing activities:		
Purchase of investments	(4,658,846)	(28,123,089)
Proceeds from sales of investments	6,067,493	29,099,460
Purchases of fixed assets	(800,658)	(43,581)
Net cash provided by investing activities	<u>607,989</u>	<u>932,790</u>
Net increase/(decrease) in cash, cash equivalents and restricted cash	82,289	(1,102,516)
Cash, cash equivalents and restricted cash - beginning of year	<u>2,201,114</u>	<u>3,303,630</u>
Cash, cash equivalents and restricted cash - end of year	<u>\$2,283,403</u>	<u>\$2,201,114</u>
Cash, cash equivalents and restricted cash:		
Cash and cash equivalents	\$2,004,873	\$2,085,298
Cash and cash equivalents - board designated fund	278,530	115,816
Total cash, cash equivalents and restricted cash	<u>\$2,283,403</u>	<u>\$2,201,114</u>
Supplemental data:		
Interest and taxes paid	<u>\$0</u>	<u>\$0</u>

*The attached notes and auditors' report are an integral part of these financial statements.*

**CARNEGIE COUNCIL FOR ETHICS IN INTERNATIONAL AFFAIRS, INC. AND AFFILIATE  
NOTES TO COMBINED FINANCIAL STATEMENTS  
JUNE 30, 2022**

**Note 1 - Organization**

The accompanying combining financial statements include Carnegie Council for Ethics in International Affairs, Inc. (the “Council”) and Carnegie Council Fund, Inc. (“the Fund”) (collectively, the “Council and Affiliate”).

The Council is an independent, nonpartisan, nonprofit organization dedicated to increasing understanding of the relationship between ethics and international affairs.

The Fund is a not-for-profit corporation incorporated on August 15, 2001 as the supporting organization for the Council.

The companies are related through common control. All intercompany accounts have been eliminated in combining the entities.

Together, the Council and Affiliate fulfill its missions through the following programs:

**Impact Initiatives:** Each Initiative drives forward actionable real-world solutions in the areas of climate change, migration, artificial intelligence, and foreign policy. Each Impact Initiative is spearheaded by leading experts from academia, government, business, and civil society, who have joined Carnegie Council in the role of Senior Fellow.

**Public Affairs:** Programs feature lectures and studio interviews with prominent intellectuals and practitioners; student engagement events, international student essay contests, and annual student research conferences.

**Communications and Internet Multimedia:** The Carnegie Ethics Studio produces podcasts, videos, transcripts, and live streams of Carnegie Council's public programs, special events, and closed-set studio interviews. The Studio ensures that the Council's sponsored research and public education programs reach worldwide audiences through free and widely accessible channels. These have historically included public radio and Telly Award winning public television programs. Today, the Studio focuses on its growing online distribution networks, including Carnegie Council's top-rated podcast and video channels on iTunes and YouTube.

**Print Publications:** Peer-reviewed journal Ethics & International Affairs, published quarterly in print and online through Cambridge University Press.

**Climate Geoengineering Governance Project (C2G):** C2G catalyzes international agreements to help prevent the deployment of solar radiation modification unless the risks and potential benefits are sufficiently understood, and international governance frameworks are agreed. C2G2 will encourage discussions about the governance of large-scale carbon dioxide removal at the appropriate sub-national, national, and global levels, including in particular at the UNFCCC.



## Note 2 - Significant Accounting Policies

### a. Basis of Accounting

The combining financial statements of the Council and Affiliate have been prepared on the accrual basis of accounting, which is the process of recording revenue and expenses when earned or incurred, rather than received or paid.

### b. Basis of Presentation

The Council and Affiliate report information regarding its financial position and activities according to the following specific classes of net assets:

- *Net Assets Without Donor Restrictions* – represents all activity without donor-imposed restrictions. The Council has a board designated fund that is held in an investment account. Net assets consist of all assets contributed to the Council and Affiliate which are designated for future programs by the Board of Trustees of the Council and Affiliate.
- *Net Assets With Donor Restrictions* – relates to contributions of cash and other assets with donor stipulations that make clear the assets' restriction, either due to a program nature, the passage of time, or must remain in perpetuity.

### c. Revenue Recognition

The Council and Affiliate follow the requirements of the Financial Accounting Standards Board's ("FASB") Accounting Standards Codification ("ASC") 606. The Council and Affiliate analyzes each source of revenue to determine that it has a contract with the customer that identifies both the performance obligation and the transition price. Revenue is recognized when the performance obligation is complete.

For program fees, the performance obligation is met at the time the event or program has taken place.

The Council receives publishing fees in exchange for use of the name of the organization and content. Publishing fees are recognized as performance obligations are met over the course of the fiscal year.

The Council and Affiliate follow FASB ASC 958-605 for recording contributions, which are recognized at the earlier of when cash is received or at the time a pledge becomes unconditional in nature. Contributions that are restricted by the donor are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions in the combining statement of activities. However, when a restriction is met in the period the contribution is received, it is recorded as net assets without donor restrictions.

Contributions may be subject to conditions which are defined as both a barrier to entitlement and a right of return of payments, or release from obligations, and are recognized as income once the conditions have been substantially met.

The Council has certain grants that are considered to be primarily conditional, non-exchange transactions that are contributions under ASC 958-605. Revenue from these grants is recognized when those conditions have been met, typically when qualifying expenditures are incurred. Payments received in advance of conditions being met are recorded as grant advances.

The Council and Affiliate received conditional pledges during the year ending June 30, 2022 totaling \$850,000, which has not yet been recognized, but will be recorded as revenue when the conditions are met.

Unconditional promises to give are recorded at net realizable value if expected to be received in less than one year, or at fair value using a risk-adjusted discount rate if expected to be received in greater than one year.

Outstanding receivables from fees, contributions, and grants are reviewed on an annual basis and an allowance for doubtful accounts is maintained based on historical trends and past collection data to assess the likelihood of future payments. As of June 30, 2022 and 2021, no allowance was deemed necessary.

d. Cash and Cash Equivalents

The Council and Affiliate consider all liquid investments with an initial maturity of three months or less to be cash and cash equivalents. Restricted cash is included as cash and cash equivalents on the statement of cash flows.

e. Concentration of Credit Risk

Financial instruments which potentially subject the Council and Affiliate to a concentration of credit risk consist of cash, money market accounts and investment securities which have been placed with high-quality financial institutions that management deems to be creditworthy. Investments are subject to market value fluctuations and principal is not guaranteed. At times, balances may exceed federally insured limits. While at year end there were material uninsured balances, management feels it has little risk and has not experienced any losses due to bank failure.

f. Investments

Investments are recorded at fair value, which refers to the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. Unrealized gains and losses are included as non-operating income.

g. Fair Market Measurements

Accounting standards have established a fair value hierarchy giving the highest priority to quoted market prices in active markets and the lowest priority to unobservable data. The fair value hierarchy is categorized into three levels based on the inputs as follows:

Level 1 - Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities that the Council and Affiliate have the ability to access.

Level 2 - Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

Level 3 - Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

h. Fixed Assets

Purchases of buildings, building improvements, furniture and fixtures, and equipment that exceed predetermined amounts which the Council and Affiliate retain title to, and which benefit future periods are capitalized at cost, or if donated, at the estimated fair value at the time of donation. Depreciation is recorded using the straight-line method over the assets estimated useful life.

i. Works of Art

Works of art are stated at their appraisal value at the time of purchase or donation. The Council and Affiliate do not depreciate these items.

Works of art consists of paintings, antique furniture and rugs that were received in past years and have a recorded value of \$91,850 at June 30, 2022 and 2021.

j. In-Kind Services

Donated services are recognized in circumstances where those services create or enhance non-financial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided in-kind.

Board members and other individuals volunteer their time and perform a variety of services that assist the Council and Affiliate. These services do not meet the criteria of in-kind services and have not been recorded in the combining financial statements.

k. Management Estimates

The preparation of combining financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

l. Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the combining financial statements. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

The following costs were allocated based on time and effort:

- Salaries
- Payroll taxes and employee benefits
- Office expenses
- Insurance
- Repairs and maintenance
- Management fee expense
- Depreciation expense

All other expenses have been charged directly to the applicable program or supporting services.

m. Accounting for Uncertainty of Income Taxes

The Council and the Fund have both been notified by the Internal Revenue Service that they are not-for-profit organizations exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and have not been determined to be a private Council and Affiliate.

The Council and the Fund do not believe their combined financial statements include any material, uncertain tax positions. Tax filings for years ended June 30, 2019 and later are subject to examination by applicable taxing authorities.

n. Comparative Financial Information

The combining financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Such information should be read in conjunction with the Council and Affiliate's combining financial statements for the year ended June 30, 2021, from which the summarized information was derived.

o. New Accounting Pronouncement

FASB issued Accounting Standards Update ("ASU") No. 2016-02, *Leases*. The ASU, which becomes effective for the June 30, 2023 year, requires the full obligation of long-term leases to be recorded as a liability with a corresponding "right to use asset" on the statement of financial position.

The Council and Affiliate is in the process of evaluating the impact this standard will have on future financial statements.

**Note 3 - Contributions Receivable**

Contributions receivable are expected in the following periods:

Year ending:	June 30, 2023	\$2,675,000
	June 30, 2024	<u>250,000</u>
Total		<u>\$2,925,000</u>

Due to its immaterial nature, a discount to present value has not been recorded.

**Note 4 - Fixed Assets**

Fixed assets consist of the following:

	<u>6/30/22</u>	<u>6/30/21</u>
Land	\$19,500	\$19,500
Buildings (25 years)	4,234,281	4,234,281
Building improvements (25 years)	2,259,696	1,490,709
Furniture and fixtures (8 years)	224,117	224,117
Equipment (5 years)	<u>457,140</u>	<u>425,469</u>
	7,194,734	6,394,076
Less: accumulated depreciation	<u>(5,920,427)</u>	<u>(5,856,315)</u>
Total	<u>\$1,274,307</u>	<u>\$537,761</u>

## Note 5 - Investments and Fair Value Measurements

The following summarizes the composition of investments:

Investments at fair value:

	<u>6/30/22</u>	<u>6/30/21</u>
Level 1 Securities:		
U.S. Mutual Funds	\$3,480,247	\$3,923,051
U.S. Equities - Stock	10,244,625	12,151,668
Foreign Equities	<u>6,232,817</u>	<u>7,744,329</u>
Total Level 1 Securities	<u>19,957,689</u>	<u>23,819,048</u>
Level 2 Securities:		
U.S. Treasury Securities	<u>10,966,626</u>	<u>12,762,664</u>
Total Investments at fair value	<u>\$30,924,315</u>	<u>\$36,581,712</u>

Investments in limited partnerships and private equity – board designated:

Investments measured at net asset value:

Limited partnerships and private equity	<u>\$1,906,698</u>	<u>\$2,138,858</u>
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Level 1 securities are valued at the closing price reported on the active market that they are traded on. Level 2 securities are valued using observable market inputs for securities that are similar to those owned.

The Council and Affiliate's investments carried at NAV include entities that invest in various domestic and international types of securities and derivative financial instruments. Redemptions of the Council and Affiliate's investments in these investment entities vary, but are primarily available at month-end, quarter-end, or year-end with appropriate notice. There can be no assurance that the Council and Affiliate will continue the same level of returns on their investments in limited partnerships that they have received during the past periods or that they will achieve any returns on such investments at all.

In addition, there can be no assurance that the Council and Affiliate will receive a return of all or any portion of their current or future capital investments in limited partnerships. The failure of the Council and Affiliate to receive the return of a material portion of their capital investments could have a material adverse effect on the Council and Affiliate's financial condition and results of operations.

Management fees and incentive fees are charged by these investment entities at annual rates. These fees are embedded in the net realized and unrealized gains on investments in the accompanying combining statement of activities.

Those methods produce a fair value calculation that may not be indicative of net realizable value or reflective of future values. The use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in different fair value measurements.

The following summarizes investment return:

	<u>6/30/22</u>	<u>6/30/21</u>
Realized (loss)/gain	(\$2,707)	\$373,955
Unrealized (loss)/gain	(4,478,203)	5,370,050
Investment fees	<u>(45,468)</u>	<u>(33,738)</u>
Total	<u>(\$4,526,378)</u>	<u>\$5,710,267</u>

**Note 6 - Endowment/Board Designated Net Assets**

The Council has adopted investment and spending policies for endowment assets that attempt to provide a stream of returns that would be utilized to fund the operations of the Council while seeking to maintain the purchasing power of endowment assets. Endowment assets include those assets that are board designated, as approved by the Board of Trustees of the Council. The endowment funds are invested in a diversified portfolio of investments, which includes cash, mutual funds, hedge fund of funds, limited partnerships, and private equity funds.

Endowment funds consist of the following:

	<u>6/30/22</u>	<u>6/30/21</u>
Cash and cash equivalents – board designated fund	\$278,530	\$115,816
Investments at fair value – board designated fund	30,924,315	36,581,712
Investments in limited partnerships and private equity – board designated fund	<u>1,906,698</u>	<u>2,138,858</u>
Total	<u>\$33,109,543</u>	<u>\$38,836,386</u>

The following tables provide a reconciliation of the change in the Council and Affiliate's endowment fund:

	<u>June 30, 2022</u>		
	Board Designated- Reserve	Board Designated- Capital Improvements	Total
Endowment fund, beginning of year	\$37,593,323	\$1,243,063	\$38,836,386
Dividend and interest income	643,465	21,277	664,742
Investment fees	(44,013)	(1,455)	(45,468)
Realized loss	(2,620)	(87)	(2,707)
Unrealized loss	(4,334,866)	(143,337)	(4,478,203)
Appropriation for expenditure	<u>(1,865,207)</u>	<u>0</u>	<u>(1,865,207)</u>
Endowment fund, end of year	<u>\$31,990,082</u>	<u>\$1,119,461</u>	<u>\$33,109,543</u>

	<u>June 30, 2021</u>		
	Board Designated- Reserve	Board Designated- Capital Improvements	Total
Endowment fund, beginning of year	\$33,431,085	\$1,048,932	\$34,480,017
Dividend and interest income	650,686	20,416	671,102
Investment fees	(32,712)	(1,026)	(33,738)
Realized gain	362,579	11,376	373,955
Unrealized gain	5,206,685	163,365	5,370,050
Appropriation for expenditure	<u>(2,025,000)</u>	<u>0</u>	<u>(2,025,000)</u>
Endowment fund, end of year	<u>\$37,593,323</u>	<u>\$1,243,063</u>	<u>\$38,836,386</u>

The Council and Affiliate have adopted investment and spending policies for endowment assets that attempt to provide sufficient income to meet various program and operational expenses, and to extend the pursuit of the Council and Affiliate's mission in perpetuity. The targeted rate of return on the Council and Affiliate's investment assets is approximately 6% plus the average rate of U.S. inflation, subject to annual review.

To satisfy its long-term rate of return objectives, the Council and Affiliate target a diversified asset allocation that places a greater emphasis on equity-based investments to achieve their long-term return objectives with prudent risk.

The Council and Affiliate's asset allocation also includes alternative equity investments. Within the alternative equity investment categories, the Council and Affiliate are mindful of each investment manager's strategies and the liquidity of each manager's investment portfolio.

#### **Note 7 - Net Assets with Donor Restrictions**

The following summarizes the nature of net assets with donor restrictions:

	<u>June 30, 2022</u>			
	Balance <u>7/1/21</u>	<u>Contributions</u>	Released from <u>Restrictions</u>	Balance <u>6/30/22</u>
Program/purpose:				
Global Engagement Project	\$0	\$300,000	(\$53,238)	\$246,762
Climate Geoengineering Governance Project	0	2,918,016	(1,540,267)	1,377,749
Time restrictions	<u>763,314</u>	<u>1,000,000</u>	<u>(263,314)</u>	<u>1,500,000</u>
Total	<u>\$763,314</u>	<u>\$4,218,016</u>	<u>(\$1,856,819)</u>	<u>\$3,124,511</u>

	June 30, 2021			
	Balance 7/1/20	Contributions	Released from Restrictions	Balance 6/30/21
Program/purpose:				
Education	\$156,200	\$0	(\$156,200)	\$0
Climate Geoengineering Governance Project	60,000	2,132,285	(2,192,285)	0
Time restrictions	<u>1,013,314</u>	<u>0</u>	<u>(250,000)</u>	<u>763,314</u>
Total	<u>\$1,229,514</u>	<u>\$2,132,285</u>	<u>(\$2,598,485)</u>	<u>\$763,314</u>

**Note 8 - Paycheck Protection Program Loan**

During the year ended June 30, 2020, the Council obtained a loan from the Small Business Administration (“SBA”) in the amount of \$426,095 through the Paycheck Protection Program (“PPP”). Terms of the loan indicated that if certain conditions were met, which included maintaining average work forces during periods subsequent to receipt of the loan funds that were greater than pre-determined historical periods, that the loan, or a portion thereof, would be forgiven.

The Council accounted for the PPP loan as a contribution in accordance with FASB ASC 958-605 as it is considered to have traits similar to a conditional contribution. As the conditions for the loan had been met during the year ended June 30, 2021, revenue in the amount \$426,095 was recognized during the year. Full forgiveness was approved by the SBA.

**Note 9 - Availability and Liquidity**

Financial assets available within one year of the date of the combining statement of financial position for general expenditures are as follows:

Cash and cash equivalents	\$2,004,873	
Pledges receivable – due within one year	<u>2,675,000</u>	
Total		\$4,679,873

Less amounts not available for general expenditures:

Amounts included as financial assets that are restricted for future periods		(1,624,511)
Financial assets available to meet cash needs for general expenditures within one year		<u>\$3,055,362</u>

The Council and Affiliate maintain cash on hand to be available for their general expenditures, liabilities, and other obligations for ongoing operations. In addition, the Council and Affiliate maintain a board designated investment portfolio as a reserve to cover future operating expenses. As part of their liquidity management, the Council and Affiliate operate their programs within a board approved budget and rely on contributions, earned income, and appropriations from the endowment and the board designated reserve to fund their operations and program activities.



The Council and Affiliate's board designated funds are held for long term purposes; therefore, these assets are not considered available for general expenditures until they are appropriated for spending.

**Note 10 - Pension Plan**

The Council and Affiliate maintain a defined contribution – money purchase pension plan for all employees having more than one year of service. The employees contribute 6% of their annual salary and the Council and Affiliate contribute 10%. Employee benefits under the plan are vested immediately and consist of annuities bought with the contributions to the employees' account. Pension expense for the years ended June 30, 2022 and 2021 was \$151,522 and \$140,482, respectively, and has been included in payroll taxes and employee benefits expense on the combining statement of functional expenses.

**Note 11 - Subsequent Events**

Subsequent events have been evaluated through December 12, 2022, the date the financial statements were available to be issued. There were no material events that have occurred that require adjustment to, or disclosure in, the financial statements.

**Note 12 - Other Matters**

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern" and on March 10, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate it have had and are expected to continue to have an impact on the economies and financial markets of many countries, including the geographical area in which the Council and Affiliate operates. As of the date of the combining financial statements, many of the travel restrictions and stay at home orders have been lifted, however, supply chains remain impacted. Management continues to monitor the outbreak, however, as of the date of these combining financial statements, the potential impact cannot be quantified.