



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, 2019

INDEPENDENT AUDITOR'S REPORT

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

Report on the Combining Financial Statements

We have audited the accompanying combining financial statements of Carnegie Council for Ethics in International Affairs, Inc. and Affiliate (the "Council and Affiliate"), which comprise the combining statements of financial position as of June 30, 2019, and the related combining statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the combining financial statements.

Management's Responsibility for the Combining Financial Statements

Management is responsible for the preparation and fair presentation of these combining 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 combining 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 combining 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 combining financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combining financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combining 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 combining 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 combining financial statements.

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

Opinion

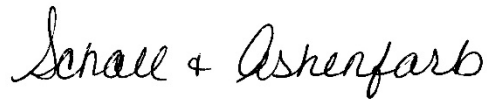
In our opinion, the combining financial statements referred to above present fairly, in all material respects, the financial position of Carnegie Council for Ethics in International Affairs, Inc. and Affiliate and Carnegie Council Fund, Inc. as of June 30, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2 to the financial statements, the Council and Affiliate adopted Accounting Standards Update (“ASU”) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information

We have previously audited the Council and Affiliate’s 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 10, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended is consistent, in all material respects, with the audited financial statements from which it has been derived.



Schall & Ashenfarb
Certified Public Accountants, LLC

July 7, 2020

CARNEGIE COUNCIL FOR ETHICS IN INTERNATIONAL AFFAIRS, INC. AND AFFILIATE
COMBINING STATEMENT OF FINANCIAL POSITION
AS OF JUNE 30, 2019
(With comparative totals as of June 30, 2018)

	Carnegie Council for Ethics in International Affairs, Inc.	Carnegie Council Fund, Inc.	Total	Eliminations	Total 6/30/19	Total 6/30/18*
Assets						
Cash and cash equivalents	\$937,721	\$795,904	\$1,733,625		\$1,733,625	\$2,166,219
Investments at fair value (Note 3)	2,120,203		2,120,203		2,120,203	3,240,610
Pledges receivable	67,207		67,207		67,207	473,355
Program fees and other receivable	27,001		27,001		27,001	3,494
Due from affiliated organization	210,651		210,651	(\$210,651)	0	0
Cash and cash equivalents - Board designated fund	261,217		261,217		261,217	229,168
Investments at fair value - Board designated fund (Note 3)	29,897,141		29,897,141		29,897,141	29,498,848
Investments in limited partnerships and private equity - Board designated fund (Note 3)	3,021,812		3,021,812		3,021,812	3,764,355
Fixed assets, net (Note 4)	579,923		579,923		579,923	593,021
Works of art	91,850		91,850		91,850	91,850
Total assets	<u>\$37,214,726</u>	<u>\$795,904</u>	<u>\$38,010,630</u>	<u>(\$210,651)</u>	<u>\$37,799,979</u>	<u>\$40,060,920</u>
Liabilities and Net Assets						
Liabilities:						
Accounts payable and accrued expenses	\$61,954		\$61,954		\$61,954	\$82,370
Due to affiliated organization		\$210,651	210,651	(\$210,651)	0	0
Total liabilities	<u>61,954</u>	<u>210,651</u>	<u>272,605</u>	<u>(210,651)</u>	<u>61,954</u>	<u>82,370</u>
Net assets:						
Without donor restrictions:						
Operations	3,709,923	(340,967)	3,368,956		3,368,956	\$3,970,297
Board designated (Note 5)	33,180,170		33,180,170		33,180,170	33,492,371
Total without donor restrictions	<u>36,890,093</u>	<u>(340,967)</u>	<u>36,549,126</u>	<u>0</u>	<u>36,549,126</u>	<u>37,462,668</u>
With donor restrictions (Note 7)	<u>262,679</u>	<u>926,220</u>	<u>1,188,899</u>		<u>1,188,899</u>	<u>2,515,882</u>
Total net assets	<u>37,152,772</u>	<u>585,253</u>	<u>37,738,025</u>	<u>0</u>	<u>37,738,025</u>	<u>39,978,550</u>
Total liabilities and net assets	<u>\$37,214,726</u>	<u>\$795,904</u>	<u>\$38,010,630</u>	<u>(\$210,651)</u>	<u>\$37,799,979</u>	<u>\$40,060,920</u>

* Reclassified for comparative purposes

The attached notes and auditor's report are an integral part of these financial statements.

CARNEGIE COUNCIL FOR ETHICS IN INTERNATIONAL AFFAIRS, INC. AND AFFILIATE
COMBINING STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

(With comparative totals for the year ended June 30, 2018)

	Carnegie Council for Ethics in International Affairs, Inc.				Carnegie Council Fund, Inc.			Eliminations	Total 6/30/19	Total 6/30/18*
	Without Donor Restrictions		With Donor	Total	Without Donor	With Donor	Total			
	Operations	Board Designated	Restrictions		Restrictions	Restrictions				
Revenue and other support:										
Dividend and interest income	\$77,633	\$726,567		\$804,200	\$1,368		\$1,368	\$805,568	\$735,527	
Contributions for programs	252,032		\$136,100	388,132	767	\$1,797,105	1,797,872	2,186,004	1,212,719	
Program and membership fees	262,393			262,393			0	262,393	83,235	
Royalties and other income	182,550			182,550			0	182,550	157,169	
Management fee	468,875			468,875			0	0	0	
Net assets released from board designation (Note 5)	1,575,000	(1,575,000)		0			0	0	0	
Net assets released from restriction (Note 7)	951,720		(951,720)	0	1,708,789	(1,708,789)	0	0	0	
Total revenue and other support	3,770,203	(848,433)	(815,620)	2,106,150	1,710,924	88,316	1,799,240	(468,875)	3,436,515	2,188,650
Expenses:										
Program services	2,815,379	0	0	2,815,379	2,034,438	0	2,034,438	(406,347)	4,443,470	3,816,994
Supporting services:										
Management and general	849,281			849,281	46,096		46,096	(45,587)	849,790	737,947
Fundraising	372,217			372,217	16,941		16,941	(16,941)	372,217	405,804
Total supporting services	1,221,498	0	0	1,221,498	63,037	0	63,037	(62,528)	1,222,007	1,143,751
Total expenses	4,036,877	0	0	4,036,877	2,097,475	0	2,097,475	(468,875)	5,665,477	4,960,745
Change in net assets from operating activities	(266,674)	(848,433)	(815,620)	(1,930,727)	(386,551)	88,316	(298,235)	0	(2,228,962)	(2,772,095)
Non-operating activities:										
Net realized and unrealized gains on investments (Note 3)	51,884	536,232		588,116			0	588,116	2,069,580	
Return of unspent funds				0		(599,679)	(599,679)	(599,679)	0	
Total non-operating activities	51,884	536,232	0	588,116	0	(599,679)	(599,679)	0	(11,563)	2,069,580
Change in net assets	(214,790)	(312,201)	(815,620)	(1,342,611)	(386,551)	(511,363)	(897,914)	0	(2,240,525)	(702,515)
Net assets - beginning of year	3,924,713	33,492,371	1,078,299	38,495,383	45,584	1,437,583	1,483,167	0	39,978,550	40,681,065
Net assets - end of year	\$3,709,923	\$33,180,170	\$262,679	\$37,152,772	(\$340,967)	\$926,220	\$585,253	\$0	\$37,738,025	\$39,978,550

* Reclassified for comparative purposes

The attached notes and auditor's report are an integral part of these financial statements.

**CARNEGIE COUNCIL FOR ETHICS IN INTERNATIONAL AFFAIRS, INC. AND AFFILIATE
COMBINING STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2019**

(With comparative totals for the year ended June 30, 2018)

	Carnegie Council for Ethics in International Affairs, Inc.					Carnegie Council Fund, Inc.				
	Program Services	Supporting Services			Total	Program Services	Supporting Services			Total
		Management and General	Fundraising	Total Supporting Services			Management and General	Fundraising	Total Supporting Services	
Salaries	\$1,388,459	\$325,660	\$207,733	\$533,393	\$1,921,852				\$0	\$0
Payroll taxes and employee benefits	357,662	93,051	53,510	146,561	504,223				0	0
Professional fees	320,728	174,618	59,211	233,829	554,557	\$1,186,924			0	1,186,924
Office expenses	106,241	25,846	15,894	41,740	147,981	18,274	\$509		509	18,783
Insurance	23,301	5,466	3,486	8,952	32,253				0	0
Repairs and maintenance	25,444	168,306	3,806	172,112	197,556				0	0
Program events and other meetings	145,446	32,534	13,396	45,930	191,376	68,482			0	68,482
Travel	69,257	16,246	10,362	26,608	95,865	354,411			0	354,411
Stipends	346,633			0	346,633				0	0
Bad debts				0	0				0	0
Management fee expense				0	0	406,347	45,587	\$16,941	62,528	468,875
Total expenses before depreciation	2,783,171	841,727	367,398	1,209,125	3,992,296	2,034,438	46,096	16,941	63,037	2,097,475
Depreciation expense	32,208	7,554	4,819	12,373	44,581				0	0
Total expenses	\$2,815,379	\$849,281	\$372,217	\$1,221,498	\$4,036,877	\$2,034,438	\$46,096	\$16,941	\$63,037	\$2,097,475

* Reclassified for comparative purposes

The attached notes and auditor's report are an integral part of these financial statements.

**CARNEGIE COUNCIL FOR ETHICS IN INTERNATIONAL AFFAIRS, INC. AND AFFILIATE
COMBINING STATEMENT OF FUNCTIONAL EXPENSES CONTINUED
FOR THE YEAR ENDED JUNE 30, 2019**

(With comparative totals for the year ended June 30, 2018)

	Organization Totals						
	Eliminations	Total Program Services	Total Management and General	Total Fundraising	Total Supporting Services	Total 6/30/19	Total 6/30/18*
Salaries		\$1,388,459	\$325,660	\$207,733	\$533,393	\$1,921,852	\$1,886,839
Payroll taxes and employee benefits		357,662	93,051	53,510	146,561	504,223	478,337
Professional fees		1,507,652	174,618	59,211	233,829	1,741,481	1,081,041
Office expenses		124,515	26,355	15,894	42,249	166,764	186,281
Insurance		23,301	5,466	3,486	8,952	32,253	30,682
Repairs and maintenance		25,444	168,306	3,806	172,112	197,556	170,429
Program events and other meetings		213,928	32,534	13,396	45,930	259,858	324,727
Travel		423,668	16,246	10,362	26,608	450,276	316,279
Stipends		346,633	0	0	0	346,633	337,074
Bad debts		0	0	0	0	0	104,134
Management fee expense	(\$468,875)	0	0	0	0	0	0
Total expenses before depreciation	(468,875)	4,411,262	842,236	367,398	1,209,634	5,620,896	4,915,823
Depreciation expense		32,208	7,554	4,819	12,373	44,581	44,922
Total expenses	(\$468,875)	\$4,443,470	\$849,790	\$372,217	\$1,222,007	\$5,665,477	\$4,960,745

* Reclassified for comparative purposes

The attached notes and auditor's report are an integral part of these financial statements.

CARNEGIE COUNCIL FOR ETHICS IN INTERNATIONAL AFFAIRS, INC. AND AFFILIATE
COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2019

(With comparative totals for the year ended June 30, 2018)

	Carnegie Council for Ethics in International Affairs, Inc.	Carnegie Council Fund, Inc.	Eliminations	Total 6/30/19	Total 6/30/18
Cash flows from operating activities:					
Change in net assets	(\$1,342,611)	(\$897,914)		(\$2,240,525)	(\$702,515)
Adjustments to reconcile change in net assets to net cash (used for)/provided by operating activities:					
Depreciation expense	44,581	0		44,581	44,922
Realized loss/(gain)	325,054	0		325,054	(404,818)
Unrealized gain	(949,278)	0		(949,278)	(1,738,950)
Changes in assets and liabilities:					
Pledges receivable	406,148	0		406,148	2,846,437
Program fees and other receivable	(23,507)	0		(23,507)	0
Due from affiliated organization	19,538	0	(\$19,538)	0	
Accounts payable and accrued expenses	(20,416)	0		(20,416)	4,111
Due to affiliated organization	0	(19,538)	19,538	0	
Total adjustments	<u>(197,880)</u>	<u>(19,538)</u>	<u>0</u>	<u>(217,418)</u>	<u>751,702</u>
Net cash (used for)/provided by operating activities	<u>(1,540,491)</u>	<u>(917,452)</u>	<u>0</u>	<u>(2,457,943)</u>	<u>49,187</u>
Cash flows from investing activities:					
Purchase of investments	(22,545,564)			(22,545,564)	(2,069,336)
Proceeds from sales of investments	24,863,613			24,863,613	2,784,188
Purchases of fixed assets	(31,483)			(31,483)	0
Net cash provided by investing activities	<u>2,286,566</u>	<u>0</u>	<u>0</u>	<u>2,286,566</u>	<u>714,852</u>
Net increase/(decrease) in cash and cash equivalents	746,075	(917,452)	0	(171,377)	764,039
Cash and cash equivalents - beginning of year	<u>452,863</u>	<u>1,713,356</u>	<u>0</u>	<u>2,166,219</u>	<u>1,631,348</u>
Cash and cash equivalents - end of year	<u><u>\$1,198,938</u></u>	<u><u>\$795,904</u></u>	<u><u>\$0</u></u>	<u><u>\$1,994,842</u></u>	<u><u>\$2,395,387</u></u>
Cash and cash equivalents:					
Cash and cash equivalents	\$937,721	\$795,904		\$1,733,625	\$2,166,219
Board designated fund	261,217			261,217	229,168
Total cash and cash equivalents	<u><u>\$1,198,938</u></u>	<u><u>\$795,904</u></u>	<u><u>\$0</u></u>	<u><u>\$1,994,842</u></u>	<u><u>\$2,395,387</u></u>
Supplemental data:					
Interest and taxes paid	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>

The attached notes and auditor's report are an integral part of these financial statements.

**CARNEGIE COUNCIL FOR ETHICS IN INTERNATIONAL AFFAIRS, INC. AND AFFILIATE
AND CARNEGIE COUNCIL FUND, INC.
NOTES TO COMBINING FINANCIAL STATEMENTS
JUNE 30, 2019**

Note 1 - Organization

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

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.

Effective July 1, 2018, the Council and Affiliate adopted the requirements of the Financial Accounting Standards Board's ("FASB") Accounting Standards Update ("ASU") No. 2016-14 - *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities* (ASU 2016-14). This standard addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return between not-for-profit entities. A key change required by ASU 2016-14 is the net asset classes used in these financial statements. Amounts previously reported as unrestricted net assets are now reported as net assets without donor restrictions and amounts previously reported as temporarily restricted net assets and permanently restricted net assets are now reported as net assets with donor restrictions. A footnote on liquidity has also been added (Note 8). Amounts previously reported as investment expense on the combining statement of functional expenses are now included in investment return on the combining statement of activities. The changes required by this standard have been applied retrospectively to all periods presented.

Implementation of ASU 2016-14 did not require any restatement of opening balances related to the periods presented.

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 Organization 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

Contributions are recognized at the earlier of when cash is received or at the time a pledge becomes unconditional in nature. Contributions are recorded in the net asset classes referred to above depending on the existence and/or nature of any donor-imposed restriction. When a restriction expires, that is, when a stipulated time restriction ends, or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions. If donor restricted contributions are satisfied in the same period they were received, they are classified as without donor restrictions. Contributions that contain conditions are recognized when the condition has been substantially met.

Program and membership fees are charged to the general public to attend the Council and Affiliate's events and recognized when events take place and over the term of the membership, respectively.

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.

e. Concentration of Credit Risk

Financial instruments which potentially subject the Council and Affiliate to 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. Pledges Receivable

Contributions that are expected to be received in less than one year are recorded at net realizable value. Those pledges that are due in greater than one year are recorded at fair value which is calculated using a risk-adjusted rate of return. Long-term pledges are treated as implied time restricted until the period they are due, at which time they will be released from restriction and transferred to the unrestricted class of net assets. All grants and pledges receivable at June 30, 2019 and 2018 are expected to be received within one year.

Conditional promises to give are recognized when the conditions on which they depend on are substantially met. The Council and Affiliate received conditional pledges during the year ending June 30, 2019 totaling \$3,600,000, which has not yet been recognized, but will be recorded as revenue when the condition is met. No conditional pledges were received during the year ended June 30, 2018.

i. Allowance for Doubtful Accounts

The Council and Affiliate evaluate for potential doubtful accounts related to grants and pledges receivable. There was no allowance for doubtful accounts for the years ended June 30, 2019 and 2018.

j. 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.

k. 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 consisted of paintings, antique furniture and rugs that were received in past years have a recorded value of \$91,850 at June 30, 2019 and 2018.

l. 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 tasks 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.

m. 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.

n. Expense Allocation

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.

o. 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 foundation.

The Council and the Fund do not believe their combining financial statements include any material, uncertain tax positions. Tax filings for years ended June 30, 2016 and later are subject to examination by applicable taxing authorities.

p. Comparative Financial Information

The 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 financial statements for the year ended June 30, 2018, from which the summarized information was derived.

- q. New Accounting Pronouncements
 FASB issued ASU No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The ASU which becomes effective for the June 30, 2020 year, with early implementation permitted, provides guidance on whether a receipt from a third-party resource provider should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, Not-for-Profit Entities, or as exchange (reciprocal) transactions.

FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers*. The ASU, which becomes effective for the June 30, 2020 year, focuses on a principle-based model. It highlights the identification of performance obligations of the contract, determining the price and allocating that price to the performance obligation so that revenue is recognized as each performance obligation is satisfied.

In addition, FASB issued 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 combining statement of financial position.

The Council and Affiliate are in the process of evaluating the impact these standards will have on future combining financial statements.

Note 3 - Investments and Fair Value Measurements

The following summarizes the composition of investments:

Investments at fair value:

	<u>6/30/19</u>	<u>6/30/18</u>
Level 1 securities:		
U.S. Mutual Funds	\$3,922,792	\$8,213,146
U.S. Equities - Stock	9,514,292	14,000,162
Foreign Equities	<u>6,322,436</u>	<u>9,026,029</u>
Total Level 1 Securities	<u>\$19,759,520</u>	<u>\$31,239,337</u>
Level 2 securities:		
U.S. Treasury Securities	<u>12,257,824</u>	<u>1,500,121</u>
Total Investments at fair value	<u>\$32,017,344</u>	<u>\$32,739,458</u>

Investments in limited partnerships and private equity – board designated:

Investments measured at net asset value:

Limited partnerships and private equity	<u>\$3,021,812</u>	<u>\$3,764,355</u>
---	--------------------	--------------------

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 included 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 net gain on investments:

	<u>6/30/19</u>	<u>6/30/18</u>
Realized (loss)/gain	(\$325,054)	\$404,818
Unrealized gain	949,278	1,738,950
Investment fees	<u>(36,108)</u>	<u>(74,188)</u>
Total	<u>\$588,116</u>	<u>\$2,069,580</u>

Note 4- Fixed Assets

Fixed assets consist of the following:

	<u>6/30/19</u>	<u>6/30/18</u>
Land	\$19,500	\$19,500
Buildings (25 years)	4,234,281	4,234,281
Building improvements (25 years)	1,457,824	1,457,824
Furniture and fixtures (8 years)	220,767	220,767
Equipment (5 years)	<u>407,429</u>	<u>375,946</u>
	6,339,801	6,308,318
Less: depreciation and amortization	<u>(5,759,878)</u>	<u>(5,715,297)</u>
Total	<u>\$579,923</u>	<u>\$593,021</u>

Note 5- Endowment/Board Designated Net Assets

The Council and Affiliate have 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 and Affiliate 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 and Affiliate. 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 consisted of the following:

	<u>6/30/19</u>	<u>6/30/18</u>
Cash and cash equivalents – board designated fund	\$261,217	\$229,168
Investments at fair value – board designated fund	29,897,141	29,498,848
Investments in limited partnerships and private equity – board designated fund	<u>3,021,812</u>	<u>3,764,355</u>
Total	<u>\$33,180,170</u>	<u>\$33,492,371</u>

The following tables provide a reconciliation of the change in the Council and Affiliate's Endowment Fund net assets:

	<u>June 30, 2019</u>		
	Board Designated- Reserve	Board Designated- Capital Improvements	Total
Endowment net assets, beginning of year	\$32,492,371	\$1,000,000	\$33,492,371
Dividend and interest income	704,873	21,694	726,567
Investment fees	(31,940)	(983)	(32,923)
Realized loss	(287,528)	(8,849)	(296,377)
Unrealized gain	839,689	25,843	865,532
Appropriation for expenditure	<u>(1,575,000)</u>	<u>0</u>	<u>(1,575,000)</u>
Endowment net assets, end of year	<u>\$32,142,465</u>	<u>\$1,037,705</u>	<u>\$33,180,170</u>

	<u>June 30, 2018</u>		
	Board Designated- Reserve	Board Designated- Capital Improvements	Total
Endowment net assets, beginning of year	\$33,104,432	\$0	\$33,104,432
Repurpose of funds by board	0	1,000,000	1,000,000
Dividend and interest income	733,121	0	733,121
Realized gain	404,818	0	404,818
Appropriation for expenditure	<u>(1,750,000)</u>	<u>0</u>	<u>(1,750,000)</u>
Endowment net assets, end of year	<u>\$32,492,371</u>	<u>\$1,000,000</u>	<u>\$33,492,371</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 minimum targeted rate of return on the Council and Affiliate’s investment assets is 6% plus the average rate of U.S. inflation.

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 6- 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, 2019 and 2018 was \$167,203 and \$155,852, respectively, and has been included in payroll taxes and employee benefits expense on the combining statement of functional expenses.

Note 7- Net Assets with Donor Restrictions

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

	Balance <u>7/1/18</u>	<u>Contributions</u>	Released from Restrictions/ Return of Restrictions	Balance <u>6/30/19</u>
Program/purpose:				
Education	\$279,875	\$136,100	(\$344,975)	\$71,000
Climate Geoengineering Governance Project	1,437,583	1,797,105	(2,308,468)	926,220
Time restrictions	<u>798,424</u>	<u>0</u>	<u>(606,745)</u>	<u>191,679</u>
Total	<u>\$2,515,882</u>	<u>\$1,933,205</u>	<u>(\$3,260,188)</u>	<u>\$1,188,899</u>

	Balance <u>7/1/17</u>	<u>Contributions</u>	Released from Restrictions	Balance <u>6/30/18</u>
Program/purpose:				
Education	\$650,478	\$0	(\$370,603)	\$279,875
Climate Geoengineering Governance Project	2,715,433	583,084	(1,860,934)	1,437,583
Time restrictions	<u>1,096,271</u>	<u>450,000</u>	<u>(747,847)</u>	<u>798,424</u>
Total	<u>\$4,462,182</u>	<u>\$1,033,084</u>	<u>(\$2,979,384)</u>	<u>\$2,515,882</u>

Note 8 - 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	\$1,733,625	
Pledges receivable	67,207	
Program fees and other receivable	<u>27,001</u>	
Total		\$1,827,833

Less amounts not available for general expenditures:

Amounts included as financial assets that are restricted for future programs and periods		<u>(1,188,899)</u>
Financial assets available to meet cash needs for general expenditures within one year		<u>\$638,934</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 9 - Subsequent Events

Management has evaluated the impact of all subsequent events through July 7, 2020, which is the date that the financial statements were available to be issued.

Subsequent to year end, the World Health Organization declared a novel coronavirus (COVID-19) outbreak a Public Health Emergency of International Concern. This could adversely affect the Council and Affiliate's donors, program participants, and suppliers as a result of quarantines, facility closures, and travel and logistics restrictions in connection with the outbreak. More broadly, the outbreak could affect workforces, economies and financial markets globally, potentially leading to an economic downturn. This could decrease spending, adversely affect demand for Council and Affiliate's services and harm Council and Affiliate's business and results of operations. Management continues to monitor the outbreak, however, as of the date of these financial statements, the potential impact of such on Council and Affiliate's business cannot be quantified.

**INDEPENDENT AUDITOR'S REPORT
ON SUPPLEMENTARY INFORMATION**

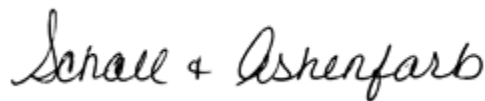
To the Board of Trustees of
Carnegie Council for Ethics in International Affairs, Inc. and Affiliate

Report on the Combining financial Statements

We have audited the combining financial statements of Carnegie Council for Ethics in International Affairs, Inc. and Affiliate (the "Council and Affiliate") as of and for the year ended June 30, 2019, and have issued our report thereon dated July 7, 2020, which contained an unmodified opinion on those combining financial statements. Our audit was performed for the purpose of forming an opinion on the combining financial statements as a whole. We have not performed any procedures with respect to the audited combining financial statements subsequent to July 7, 2020.

The supplemental schedule is presented for the purposes of additional analysis and is not a required part of the combining financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the combining financial statements. The information has been subjected to the auditing procedures applied in the audit of the combining financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combining financial statements or to the combining financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the combining financial statements as a whole.

This report is intended solely for the information and use of the Council and Affiliate and is not intended to be and should not be used by anyone other than those specified parties.



Schall & Ashenfarb
Certified Public Accountants, LLC

July 7, 2020

**CARNEGIE COUNCIL FOR ETHICS IN INTERNATIONAL AFFAIRS, INC. AND AFFILIATE
COMBINING SCHEDULE OF PROGRAM SERVICES
FOR THE YEAR ENDED JUNE 30, 2019**

	Carnegie Council for Ethics in International Affairs, Inc.					Carnegie Council Fund, Inc.			
	Education	Public Affairs	Studio and Internet	Print Publications	Climate Geoengineering Governance Project	Total Program Services	Climate Geoengineering Governance Project	Eliminations	Total Organization Program Services
Salaries	\$238,708	\$207,243	\$337,833	\$139,697	\$464,978	\$1,388,459			\$1,388,459
Payroll taxes and employee benefits	61,490	53,383	87,024	35,987	119,778	357,662			357,662
Professional fees	19,737	34,539	157,897		108,555	320,728	\$1,186,924		1,507,652
Office expenses	18,265	15,858	25,850	10,691	35,577	106,241	18,274		124,515
Insurance	4,006	3,478	5,669	2,344	7,804	23,301			23,301
Repairs and maintenance	4,374	3,798	6,191	2,560	8,521	25,444			25,444
Program events and other meetings	17,224	30,620	7,655	9,569	80,378	145,446	68,482		213,928
Travel	11,907	10,337	16,851	6,968	23,194	69,257	354,411		423,668
Stipends	207,980	51,995	10,399	76,259		346,633			346,633
Bad debts						0			0
Management fee expense						0	406,347	(\$406,347)	0
Total expenses before depreciation	583,691	411,251	655,369	284,075	848,785	2,783,171	2,034,438	(406,347)	4,411,262
Depreciation expense	5,537	4,807	7,837	3,241	10,786	32,208			32,208
Total expenses	\$589,228	\$416,058	\$663,206	\$287,316	\$859,571	\$2,815,379	\$2,034,438	(\$406,347)	\$4,443,470

The attached notes and auditor's report are an integral part of these financial statements.