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

Combining Audited Financial Statements

June 30, 2020

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, 2020, 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.

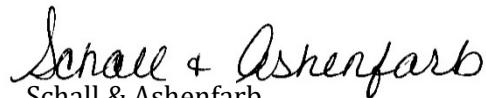
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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 as of June 30, 2020, 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.

Report on Summarized Comparative Information

We have previously audited the Council and Affiliate's 2019 financial statements, and we expressed an unmodified audit opinion on those combining financial statements in our report dated July 7, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended is consistent, in all material respects, with the combining financial statements from which it has been derived.


Schall & Ashenfarb
Certified Public Accountants, LLC

April 1, 2021

CARNEGIE COUNCIL FOR ETHICS IN INTERNATIONAL AFFAIRS, INC. AND AFFILIATE
COMBINING STATEMENT OF FINANCIAL POSITION
AS OF JUNE 30, 2020

(With comparative totals as of June 30, 2019)

| | Carnegie Council for Ethics in International Affairs, Inc. | Carnegie Council Fund, Inc. | Total | Eliminations | Total 6/30/20 | Total 6/30/19 |
|---|---|-----------------------------------|---------------------|-------------------|---------------------|---------------------|
| Assets | | | | | | |
| Cash and cash equivalents | \$1,686,015 | \$1,090,534 | \$2,776,549 | | \$2,776,549 | \$1,733,625 |
| Investments at fair value (Note 3) | 0 | | 0 | | 0 | 2,120,203 |
| Pledges receivable (Note 4) | 1,169,514 | 217,426 | 1,386,940 | | 1,386,940 | 67,207 |
| Program fees and other receivable | 39,984 | | 39,984 | | 39,984 | 27,001 |
| Due from affiliated organization | 78,900 | | 78,900 | (\$78,900) | 0 | 0 |
| Prepaid expenses | 31,249 | | 31,249 | | 31,249 | 0 |
| Fixed assets, net (Note 5) | 543,734 | | 543,734 | | 543,734 | 579,923 |
| Cash and cash equivalents - Board designated fund (Note 7) | 527,081 | | 527,081 | | 527,081 | 261,217 |
| Investments at fair value - Board designated fund (Notes 7) | 31,820,909 | | 31,820,909 | | 31,820,909 | 29,897,141 |
| Investments in limited partnerships and private equity - Board designated fund (Note 7) | 2,132,027 | | 2,132,027 | | 2,132,027 | 3,021,812 |
| Works of art | 91,850 | | 91,850 | | 91,850 | 91,850 |
| Total assets | \$38,121,263 | \$1,307,960 | \$39,429,223 | (\$78,900) | \$39,350,323 | \$37,799,979 |
| Liabilities and Net Assets | | | | | | |
| Liabilities: | | | | | | |
| Accounts payable and accrued expenses | \$52,222 | | \$52,222 | | \$52,222 | \$61,954 |
| Grant advances | | \$1,202,864 | 1,202,864 | | 1,202,864 | 0 |
| Paycheck Protection Program loan payable (Note 6) | 426,095 | | 426,095 | | 426,095 | 0 |
| Due to affiliated organization | | 78,900 | 78,900 | (\$78,900) | 0 | 0 |
| Total liabilities | 478,317 | 1,281,764 | 1,760,081 | (78,900) | 1,681,181 | 61,954 |
| Net assets: | | | | | | |
| Without donor restrictions: | | | | | | |
| Operations | 1,993,415 | (33,804) | 1,959,611 | | 1,959,611 | \$3,368,956 |
| Board designated (Note 7) | 34,480,017 | | 34,480,017 | | 34,480,017 | 33,180,170 |
| Total without donor restrictions | 36,473,432 | (33,804) | 36,439,628 | 0 | 36,439,628 | 36,549,126 |
| With donor restrictions (Note 8) | 1,169,514 | 60,000 | 1,229,514 | | 1,229,514 | 1,188,899 |
| Total net assets | 37,642,946 | 26,196 | 37,669,142 | 0 | 37,669,142 | 37,738,025 |
| Total liabilities and net assets | \$38,121,263 | \$1,307,960 | \$39,429,223 | (\$78,900) | \$39,350,323 | \$37,799,979 |

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, 2020
(With comparative totals for the year ended June 30, 2019)

| | Carnegie Council for Ethics in International Affairs, Inc. | | | Carnegie Council Fund, Inc. | | | Eliminations | Total 6/30/20 | Total 6/30/19 |
|---|--|----------------------------|---------------------|-------------------------------|----------------------------|------------------|------------------|---------------------|---------------------|
| | Without Donor Restrictions | With Donor Restrictions | Total | Without Donor Restrictions | With Donor Restrictions | Total | | | |
| Revenue and other support: | | | | | | | | | |
| Dividend and interest income | \$751,002 | | \$751,002 | \$0 | | \$0 | | \$751,002 | \$805,568 |
| Contributions for programs | 1,561,450 | \$1,300,000 | 2,861,450 | | \$1,885,717 | 1,885,717 | | 4,747,167 | 2,186,004 |
| Program and membership fees | 27,530 | | 27,530 | 141,000 | | 141,000 | | 168,530 | 262,393 |
| Publishing fees and other income | 93,800 | | 93,800 | | | 0 | | 93,800 | 182,550 |
| Management fee | 368,923 | | 368,923 | | | 0 | (\$368,923) | 0 | 0 |
| Net assets released from restriction (Note 8) | 393,165 | (393,165) | 0 | 2,751,937 | (2,751,937) | 0 | | 0 | 0 |
| Total revenue and other support | <u>3,195,870</u> | <u>906,835</u> | <u>4,102,705</u> | <u>2,892,937</u> | <u>(866,220)</u> | <u>2,026,717</u> | <u>(368,923)</u> | <u>5,760,499</u> | <u>3,436,515</u> |
| Expenses: | | | | | | | | | |
| Program services | 2,255,030 | | 2,255,030 | 2,485,154 | | 2,485,154 | (268,303) | 4,471,881 | 4,443,470 |
| Supporting services: | | | | | | | | | |
| Management and general | 637,535 | | 637,535 | 57,943 | | 57,943 | (57,943) | 637,535 | 849,790 |
| Fundraising | 350,898 | | 350,898 | 42,677 | | 42,677 | (42,677) | 350,898 | 372,217 |
| Total supporting services | <u>988,433</u> | <u>0</u> | <u>988,433</u> | <u>100,620</u> | <u>0</u> | <u>100,620</u> | <u>(100,620)</u> | <u>988,433</u> | <u>1,222,007</u> |
| Total expenses | <u>3,243,463</u> | <u>0</u> | <u>3,243,463</u> | <u>2,585,774</u> | <u>0</u> | <u>2,585,774</u> | <u>(368,923)</u> | <u>5,460,314</u> | <u>5,665,477</u> |
| Change in net assets from operating activities | <u>(47,593)</u> | <u>906,835</u> | <u>859,242</u> | <u>307,163</u> | <u>(866,220)</u> | <u>(559,057)</u> | <u>0</u> | <u>300,185</u> | <u>(2,228,962)</u> |
| Non-operating activities: | | | | | | | | | |
| Net realized and unrealized (loss)/gains on investments (Note 3) | (369,068) | | (369,068) | | | 0 | | (369,068) | 588,116 |
| Return of unspent funds | | | 0 | | | 0 | | 0 | (599,679) |
| Total non-operating activities | <u>(369,068)</u> | <u>0</u> | <u>(369,068)</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>(369,068)</u> | <u>(11,563)</u> |
| Change in net assets | (416,661) | 906,835 | 490,174 | 307,163 | (866,220) | (559,057) | 0 | (68,883) | (2,240,525) |
| Net assets - beginning of year | 36,890,093 | 262,679 | 37,152,772 | (340,967) | 926,220 | 585,253 | 0 | 37,738,025 | 39,978,550 |
| Net assets - end of year | <u>\$36,473,432</u> | <u>\$1,169,514</u> | <u>\$37,642,946</u> | <u>(\$33,804)</u> | <u>\$60,000</u> | <u>\$26,196</u> | <u>\$0</u> | <u>\$37,669,142</u> | <u>\$37,738,025</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
COMBINING STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2020
(With comparative totals for the year ended June 30, 2019)

| | Carnegie Council for Ethics in International Affairs, Inc. | | | | | Carnegie Council Fund, Inc. | | | | |
|---|--|------------------|---------------------------|------------------|--------------------|-----------------------------|-----------------|---------------------------|------------------|--------------------|
| | Supporting Services | | | | | Supporting Services | | | | |
| Program Services | Management and General | Fundraising | Total Supporting Services | Total | Program Services | Management and General | Fundraising | Total Supporting Services | Total | |
| Salaries | \$1,301,433 | \$281,057 | \$207,010 | \$488,067 | \$1,789,500 | | | | \$0 | \$0 |
| Payroll taxes and employee benefits | 474,342 | 102,439 | 75,450 | 177,889 | 652,231 | | | | 0 | 0 |
| Professional fees | 181,177 | 97,850 | 30,426 | 128,276 | 309,453 | \$1,903,358 | | | 0 | 1,903,358 |
| Office expenses | 94,959 | 34,076 | 17,669 | 51,745 | 146,704 | 29,346 | | | 0 | 29,346 |
| Insurance | 25,680 | 5,546 | 4,085 | 9,631 | 35,311 | | | | 0 | 0 |
| Repairs and maintenance | 20,504 | 88,647 | 3,261 | 91,908 | 112,412 | | | | 0 | 0 |
| Program events and other meetings | 29,000 | 14,454 | 5,635 | 20,089 | 49,089 | 52,626 | | | 0 | 52,626 |
| Travel | 13,043 | 6,103 | 1,939 | 8,042 | 21,085 | 194,681 | | | 0 | 194,681 |
| Stipends | 80,795 | | | 0 | 80,795 | 36,840 | | | 0 | 36,840 |
| Management fee expense | | | | 0 | 0 | 268,303 | \$57,943 | \$42,677 | 100,620 | 368,923 |
| Total expenses before depreciation | 2,220,933 | 630,172 | 345,475 | 975,647 | 3,196,580 | 2,485,154 | 57,943 | 42,677 | 100,620 | 2,585,774 |
| Depreciation expense | 34,097 | 7,363 | 5,423 | 12,786 | 46,883 | | | | 0 | 0 |
| Total expenses | \$2,255,030 | \$637,535 | \$350,898 | \$988,433 | \$3,243,463 | \$2,485,154 | \$57,943 | \$42,677 | \$100,620 | \$2,585,774 |

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, 2020
(With comparative totals for the year ended June 30, 2019)

| | Organization Totals | | | | | | |
|--|---------------------|------------------------------|---------------------------------------|----------------------|---------------------------------|------------------|------------------|
| | Eliminations | Total Program Services | Total Management and General | Total Fundraising | Total Supporting Services | Total 6/30/20 | Total 6/30/19 |
| Salaries | | \$1,301,433 | \$281,057 | \$207,010 | \$488,067 | \$1,789,500 | \$1,921,852 |
| Payroll taxes and employee benefits | | 474,342 | 102,439 | 75,450 | 177,889 | 652,231 | 504,223 |
| Professional fees | | 2,084,535 | 97,850 | 30,426 | 128,276 | 2,212,811 | 1,741,481 |
| Office expenses | | 124,305 | 34,076 | 17,669 | 51,745 | 176,050 | 166,764 |
| Insurance | | 25,680 | 5,546 | 4,085 | 9,631 | 35,311 | 32,253 |
| Repairs and maintenance | | 20,504 | 88,647 | 3,261 | 91,908 | 112,412 | 197,556 |
| Program events and other meetings | | 81,626 | 14,454 | 5,635 | 20,089 | 101,715 | 259,858 |
| Travel | | 207,724 | 6,103 | 1,939 | 8,042 | 215,766 | 450,276 |
| Stipends | | 117,635 | 0 | 0 | 0 | 117,635 | 346,633 |
| Management fee expense | (\$368,923) | 0 | 0 | 0 | 0 | 0 | 0 |
| Total expenses before depreciation | (368,923) | 4,437,784 | 630,172 | 345,475 | 975,647 | 5,413,431 | 5,620,896 |
| Depreciation expense | | 34,097 | 7,363 | 5,423 | 12,786 | 46,883 | 44,581 |
| Total expenses | (\$368,923) | \$4,471,881 | \$637,535 | \$350,898 | \$988,433 | \$5,460,314 | \$5,665,477 |

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, 2020

(With comparative totals for the year ended June 30, 2019)

| | Carnegie Council for Ethics in International Affairs, Inc. | Carnegie Council Fund, Inc. | Eliminations | Total 6/30/20 | Total 6/30/19 |
|--|---|-----------------------------------|-------------------|---------------------------|---------------------------|
| Cash flows from operating activities: | | | | | |
| Change in net assets | \$490,174 | (\$559,057) | | (\$68,883) | (\$2,240,525) |
| Adjustments to reconcile change in net assets to net cash provided by/(used for) operating activities: | | | | | |
| Depreciation expense | 46,883 | 0 | | 46,883 | 44,581 |
| Realized (gain)/loss | (8,332) | 0 | | (8,332) | 325,054 |
| Unrealized loss/(gain) | 347,850 | 0 | | 347,850 | (949,278) |
| Donated securities | (9,958) | 0 | | (9,958) | 0 |
| Changes in assets and liabilities: | | | | | |
| Pledges receivable | (1,102,307) | (217,426) | | (1,319,733) | 406,148 |
| Program fees and other receivable | (12,983) | 0 | | (12,983) | (23,507) |
| Due from affiliated organization | 131,751 | 0 | (\$131,751) | 0 | 0 |
| Prepaid expenses | (31,249) | 0 | | (31,249) | 0 |
| Accounts payable and accrued expenses | (9,732) | 0 | | (9,732) | (20,416) |
| Grant advances | 0 | 1,202,864 | | 1,202,864 | 0 |
| Paycheck Protection Program loan payable | 426,095 | 0 | | 426,095 | 0 |
| Due to affiliated organization | 0 | (131,751) | 131,751 | 0 | 0 |
| Total adjustments | <u>(221,982)</u> | <u>853,687</u> | <u>0</u> | <u>631,705</u> | <u>(217,418)</u> |
| Net cash provided by /(used for) operating activities | <u>268,192</u> | <u>294,630</u> | <u>0</u> | <u>562,822</u> | <u>(2,457,943)</u> |
| Cash flows from investing activities: | | | | | |
| Purchase of investments | (4,429,500) | 0 | | (4,429,500) | (22,545,564) |
| Proceeds from sales of investments | 5,186,160 | 0 | | 5,186,160 | 24,863,613 |
| Purchases of fixed assets | (10,694) | 0 | | (10,694) | (31,483) |
| Net cash provided by investing activities | <u>745,966</u> | <u>0</u> | <u>0</u> | <u>745,966</u> | <u>2,286,566</u> |
| Net increase/(decrease) in cash and cash equivalents | 1,014,158 | 294,630 | 0 | 1,308,788 | (171,377) |
| Cash and cash equivalents - beginning of year | <u>1,198,938</u> | <u>795,904</u> | <u>0</u> | <u>1,994,842</u> | <u>2,166,219</u> |
| Cash and cash equivalents - end of year | <u><u>\$2,213,096</u></u> | <u><u>\$1,090,534</u></u> | <u><u>\$0</u></u> | <u><u>\$3,303,630</u></u> | <u><u>\$1,994,842</u></u> |
| Cash and cash equivalents: | | | | | |
| Cash and cash equivalents | \$1,686,015 | \$1,090,534 | | \$2,776,549 | \$1,733,625 |
| Cash and cash equivalents - board designated fund | 527,081 | | | 527,081 | 261,217 |
| Total cash and cash equivalents | <u><u>\$2,213,096</u></u> | <u><u>\$1,090,534</u></u> | <u><u>\$0</u></u> | <u><u>\$3,303,630</u></u> | <u><u>\$1,994,842</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
NOTES TO COMBINING FINANCIAL STATEMENTS
JUNE 30, 2020**

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, 2019, the Council and Affiliate adopted the requirements of the Financial Accounting Standards Board's ("FASB") Accounting Standards Update ("ASU") No. 2014-09, *Revenue from Contracts with Customers* and all subsequent amendments to the ASU (collectively, "Topic 606"). This provides the framework for recognizing revenue by highlighting the identification of performance obligations of a contract, determining the price, and then allocating the price to each of the performance obligations so that revenue is recognized as each of those performance obligations are satisfied.

Also, effective July 1, 2019, the Council and Affiliate adopted ASU No. 2018-08 *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* ("Topic 605"). Key provisions of this guidance include clarification regarding the accounting for grants and contracts as exchange transactions or contributions, and improved guidance for conditional versus unconditional contributions. In accordance with this new standard, the Council and Affiliate evaluates whether a transfer of assets is an exchange transaction in which a resource provider is receiving a commensurate value in return for the transfer of resources or whether it is non-reciprocal. If the transaction is determined to be an exchange transaction, the Council and Affiliate applies guidance under Topic 606. If the transaction is determined to be non-reciprocal, it is treated as a contribution under Topic 605.

Analysis of the various provisions of both of these standards resulted in no significant changes in the way the Council and Affiliate recognizes revenue.

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

The Council and Affiliate have adopted Topic 606 using the modified retrospective method applied to all contracts after July 1, 2019 and continues to use legacy GAAP for all contracts before July 1, 2019.

The Council and Affiliate have the following types of revenue that fall under Topic 606: program fees, management fees and royalties. Each different source of revenue is analyzed to determine that it has a contract with the customer that identifies both the performance obligation and the transaction 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 provides certain administrative services to its Affiliate. These management fees are recognized over the period services are provided. Fees receivable reflect services provided but not yet collected and are included in the due to affiliated organization total on the combining statement of financial position.

The Council and Affiliate receive 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.

Contributions 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.

The Affiliate has certain grants that are considered to be primarily conditional, non-exchange transactions that are considered contributions under Topic 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, 2020 totaling \$2,302,692, which has not yet been recognized, but will be recorded as revenue when the condition is 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, 2020 and 2019, 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.

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. 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 consisted of paintings, antique furniture and rugs that were received in past years and have a recorded value of \$91,850 at June 30, 2020 and 2019.

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 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.

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. 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.

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 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, 2017 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, 2019, from which the summarized information was derived.

o. New Accounting Pronouncements

FASB issued ASU No. 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which becomes effective for the June 30, 2022 year with early adoption permitted. This ASU focuses on improving transparency in the reporting of contributed nonfinancial assets and requires a separate line-item presentation on the combining statement of activities and additional disclosures.

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

Note 3 - Investments and Fair Value Measurements

The following summarizes the composition of investments:

Investments at fair value:

| | <u>6/30/20</u> | <u>6/30/19</u> |
|---------------------------------|---------------------|---------------------|
| Level 1 securities: | | |
| U.S. Mutual Funds | \$3,964,875 | \$3,922,792 |
| U.S. Equities - Stock | 9,643,758 | 9,514,292 |
| Foreign Equities | <u>5,983,314</u> | <u>6,322,436</u> |
| Total Level 1 Securities | <u>19,591,947</u> | <u>19,759,520</u> |
| Level 2 securities: | | |
| U.S. Treasury Securities | <u>12,228,962</u> | <u>12,257,824</u> |
| Total Investments at fair value | <u>\$31,820,909</u> | <u>\$32,017,344</u> |

Investments in limited partnerships and private equity – board designated:

Investments measured at net asset value:

| | | |
|---|--------------------|--------------------|
| Limited partnerships and private equity | <u>\$2,132,027</u> | <u>\$3,021,812</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>6/30/20</u> | <u>6/30/19</u> |
|------------------------|--------------------|------------------|
| Realized gain/(loss) | \$8,332 | (\$325,054) |
| Unrealized (loss)/gain | (347,850) | 949,278 |
| Investment fees | <u>(29,550)</u> | <u>(36,108)</u> |
| Total | <u>(\$369,068)</u> | <u>\$588,116</u> |

Note 4 - Contributions Receivable

Contributions receivable are expected in the following periods:

| | | |
|--------------|---------------|--------------------|
| Year ending: | June 30, 2021 | \$636,940 |
| | June 30, 2022 | 250,000 |
| | June 30, 2023 | 250,000 |
| | June 30, 2024 | <u>250,000</u> |
| Total | | <u>\$1,386,940</u> |

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

Note 5- Fixed Assets

Fixed assets consist of the following:

| | <u>6/30/20</u> | <u>6/30/19</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) | 224,117 | 220,767 |
| Equipment (5 years) | <u>414,773</u> | <u>407,429</u> |
| | 6,350,495 | 6,339,801 |
| Less: depreciation and amortization | <u>(5,806,761)</u> | <u>(5,759,878)</u> |
| Total | <u>\$543,734</u> | <u>\$579,923</u> |

Note 6 - Paycheck Protection Program Loan

During the year ended June 30, 2020, the Council obtained a loan from the SBA in the amount of \$426,095 through the Paycheck Protection Program. Terms of the loan indicate that if certain conditions are met, which include maintaining average work forces during periods subsequent to receipt of the loan funds that are greater than pre-determined historical periods, that the loan, or a portion thereof, will be forgiven. Portions that are not forgiven will be payable over a five-year period, with a ten-month deferral of payments and interest will accrue at 1%. The loan forgiveness amount has not been determined as of the date of these combining financial statements.

The Council expects to recognize revenue from this loan consistent with ASU 2018-08, as it is considered to have traits similar to a conditional contribution.

Note 7- 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>6/30/20</u> | <u>6/30/19</u> |
|--|---------------------|---------------------|
| Cash and cash equivalents – board designated fund | \$527,081 | \$261,217 |
| Investments at fair value – board designated fund | 31,820,909 | 29,897,141 |
| Investments in limited partnerships and private equity – board designated fund | <u>2,132,027</u> | <u>3,021,812</u> |
| Total | <u>\$34,480,017</u> | <u>\$33,180,170</u> |

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

| | <u>June 30, 2020</u> | | |
|---|---------------------------------|---|---------------------|
| | Board Designated- Reserve | Board Designated- Capital Improvements | Total |
| Endowment net assets, beginning of year | \$32,142,465 | \$1,037,705 | \$33,180,170 |
| Dividend and interest income | 683,819 | 22,077 | 705,896 |
| Investment fees | (26,907) | (869) | (27,776) |
| Realized gain | 7,587 | 245 | 7,832 |
| Unrealized loss | (316,732) | (10,226) | (326,958) |
| Reallocation to endowment | <u>940,853</u> | <u>0</u> | <u>940,853</u> |
| Endowment net assets, end of year | <u>\$33,431,085</u> | <u>\$1,048,932</u> | <u>\$34,480,017</u> |

| | June 30, 2019 | | |
|---|---------------------------------|---|---------------------|
| | 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> |

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 8- Net Assets with Donor Restrictions

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

| | Balance 7/1/19 | Contributions | Released from Restrictions/ Return of Restrictions | Balance 6/30/20 |
|--|--------------------|--------------------|---|--------------------|
| Program/purpose: | | | | |
| Education | \$71,000 | \$300,000 | (\$214,800) | \$156,200 |
| Climate Geoengineering Governance Project | 926,220 | 1,885,717 | (2,751,937) | 60,000 |
| Time restrictions | <u>191,679</u> | <u>1,000,000</u> | <u>(178,365)</u> | <u>1,013,314</u> |
| Total | <u>\$1,188,899</u> | <u>\$3,185,717</u> | <u>(\$3,145,102)</u> | <u>\$1,229,514</u> |
| | | | | |
| | Balance 7/1/18 | Contributions | Released from Restrictions | Balance 6/30/19 |
| 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> |

Note 9- 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, 2020 and 2019 was \$150,592 and \$167,203, respectively, and has been included in payroll taxes and employee benefits expense on the combining statement of functional expenses.

Note 10 - 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 | \$2,776,549 | |
| Pledges receivable | 1,386,940 | |
| Program fees and other receivable | <u>39,984</u> | |
| Total | | \$4,203,473 |
| Less amounts not available for general expenditures: | | |
| Amounts included as financial assets that are restricted for future programs and periods | | <u>(966,200)</u> |
| Financial assets available to meet cash needs for general expenditures within one year | | <u>\$3,237,273</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 11 - Subsequent Events

Management has evaluated the impact of all subsequent events through April 1, 2021, which is the date that the financial statements were available to be issued. All events that have occurred subsequent to the combining statement of financial position date through our evaluation date that would require adjustment to or disclosure in the combining financial statements have been made.

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 adverse impact on the economies and financial markets of many countries, including the geographical area in which the Council and Affiliate operates. It is unknown how long these conditions will last and what the complete financial effect will be. Management continues to monitor the outbreak; however, as of the date of these combining financial statements, the potential impact 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, 2020, and have issued our report thereon dated April 1, 2021, 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 April 1, 2021.

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

April 1, 2021

**CARNEGIE COUNCIL FOR ETHICS IN INTERNATIONAL AFFAIRS, INC. AND AFFILIATE
COMBINING SCHEDULE OF PROGRAM SERVICES
FOR THE YEAR ENDED JUNE 30, 2020**

| | Carnegie Council for Ethics in International Affairs, Inc. | | | | | Carnegie Council Fund, Inc. | | | |
|---|--|-------------------|--|-----------------------|--|------------------------------|--|--------------------|--|
| | Impact Initiatives | Public Affairs | Communications and Internet Multimedia | Print Publications | Climate Geoengineering Governance Project | Total Program Services | Climate Geoengineering Governance Project | Eliminations | Total Organization Program Services |
| Salaries | \$191,266 | \$171,307 | \$368,311 | \$209,703 | \$360,846 | \$1,301,433 | | | \$1,301,433 |
| Payroll taxes and employee benefits | 69,712 | 62,437 | 134,241 | 76,432 | 131,520 | 474,342 | | | 474,342 |
| Professional fees | 28,431 | 25,464 | 54,747 | 31,171 | 41,364 | 181,177 | \$1,903,358 | | 2,084,535 |
| Office expenses | 29,109 | 14,869 | 31,969 | 18,201 | 811 | 94,959 | 29,346 | | 124,305 |
| Insurance | 3,774 | 3,380 | 7,268 | 4,138 | 7,120 | 25,680 | | | 25,680 |
| Repairs and maintenance | 3,013 | 2,699 | 5,802 | 3,304 | 5,686 | 20,504 | | | 20,504 |
| Program events and other meetings | 5,247 | 4,699 | 10,013 | 5,752 | 3,289 | 29,000 | 52,626 | | 81,626 |
| Travel | 1,812 | 1,623 | 3,489 | 1,987 | 4,132 | 13,043 | 194,681 | | 207,724 |
| Stipends | 33,741 | 17,645 | 3,529 | 25,880 | | 80,795 | 36,840 | | 117,635 |
| Management fee expense | | | | | | 0 | 268,303 | (\$268,303) | 0 |
| Total expenses before depreciation | 366,105 | 304,123 | 619,369 | 376,568 | 554,768 | 2,220,933 | 2,485,154 | (268,303) | 4,437,784 |
| Depreciation expense | 5,011 | 4,488 | 9,649 | 5,495 | 9,454 | 34,097 | | | 34,097 |
| Total expenses | \$371,116 | \$308,611 | \$629,018 | \$382,063 | \$564,222 | \$2,255,030 | \$2,485,154 | (\$268,303) | \$4,471,881 |

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