

**CARNEGIE COUNCIL FOR ETHICS
IN INTERNATIONAL AFFAIRS, INC. AND AFFILIATE**
Combining Audited Financial Statements

June 30, 2021

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, 2021, 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.

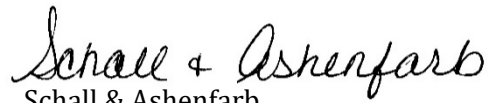
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Council and Affiliate's 2020 combining financial statements, and we expressed an unmodified audit opinion on those combining financial statements in our report dated April 1, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020 is consistent, in all material respects, with the combining financial statements from which it has been derived.


Schall & Ashenfarb
Certified Public Accountants, LLC

December 16, 2021

CARNEGIE COUNCIL FOR ETHICS IN INTERNATIONAL AFFAIRS, INC. AND AFFILIATE
COMBINING STATEMENT OF FINANCIAL POSITION
AS OF JUNE 30, 2021

(With comparative totals as of June 30, 2020)

	Carnegie Council for Ethics in International Affairs, Inc.	Carnegie Council Fund, Inc.	Total	Eliminations	Total 6/30/21	Total 6/30/20
Assets						
Cash and cash equivalents	\$1,523,307	\$561,991	\$2,085,298		\$2,085,298	\$2,776,549
Pledges receivable (Note 3)	788,314	700,000	1,488,314		1,488,314	1,386,940
Program fees and other receivables	34,710		34,710		34,710	39,984
Due from affiliated organization	541,111		541,111	(\$541,111)	0	0
Prepaid expenses	59,916		59,916		59,916	31,249
Fixed assets, net (Note 4)	537,761		537,761		537,761	543,734
Cash and cash equivalents - Board designated fund (Note 6)	115,816		115,816		115,816	527,081
Investments at fair value - Board designated fund (Notes 5 and 6)	36,581,712		36,581,712		36,581,712	31,820,909
Investments in limited partnerships and private equity - Board designated fund (Notes 5 and 6)	2,138,858		2,138,858		2,138,858	2,132,027
Works of art	91,850		91,850		91,850	91,850
	\$42,413,355	\$1,261,991	\$43,675,346	(\$541,111)	\$43,134,235	\$39,350,323
Liabilities and Net Assets						
Liabilities:						
Accounts payable and accrued expenses	\$59,092		\$59,092		\$59,092	\$52,222
Grant advances		\$773,271	773,271		773,271	1,202,864
Paycheck Protection Program loan payable (Note 7)			0		0	426,095
Due to affiliated organization		541,111	541,111	(\$541,111)	0	0
Total liabilities	59,092	1,314,382	1,373,474	(541,111)	832,363	1,681,181
Net assets:						
Without donor restrictions:						
Operations	2,754,563	(52,391)	2,702,172		2,702,172	1,959,611
Board designated (Note 6)	38,836,386		38,836,386		38,836,386	34,480,017
Total without donor restrictions	41,590,949	(52,391)	41,538,558	0	41,538,558	36,439,628
With donor restrictions (Note 8)	763,314	0	763,314		763,314	1,229,514
Total net assets	42,354,263	(52,391)	42,301,872	0	42,301,872	37,669,142
Total liabilities and net assets	\$42,413,355	\$1,261,991	\$43,675,346	(\$541,111)	\$43,134,235	\$39,350,323

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, 2021**

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

	Carnegie Council for Ethics in International Affairs, Inc.			Carnegie Council Fund, Inc.			Eliminations	Total 6/30/21	Total 6/30/20
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total			
Revenue and other support:									
Dividend and interest income	\$671,102		\$671,102	\$0		\$0		\$671,102	\$751,002
Contributions for programs	382,478		382,478		\$2,132,285	2,132,285		2,514,763	4,747,167
Paycheck Protection Program (Note 7)	426,095		426,095			0		426,095	0
Program and membership fees	133,336		133,336			0		133,336	168,530
Publishing fees and other income	93,942		93,942			0		93,942	93,800
Management fee	300,000		300,000			0	(\$300,000)	0	0
Net assets released from restriction (Note 8)	406,200	(\$406,200)	0	2,192,285	(2,192,285)	0		0	0
Total revenue and other support	<u>2,413,153</u>	<u>(406,200)</u>	<u>2,006,953</u>	<u>2,192,285</u>	<u>(60,000)</u>	<u>2,132,285</u>	<u>(300,000)</u>	<u>3,839,238</u>	<u>5,760,499</u>
Expenses:									
Program services	2,182,958		2,182,958	2,132,872		2,132,872	(222,000)	4,093,830	4,471,881
Supporting services:									
Management and general	584,900		584,900	51,000		51,000	(51,000)	584,900	637,535
Fundraising	238,045		238,045	27,000		27,000	(27,000)	238,045	350,898
Total supporting services	<u>822,945</u>	<u>0</u>	<u>822,945</u>	<u>78,000</u>	<u>0</u>	<u>78,000</u>	<u>(78,000)</u>	<u>822,945</u>	<u>988,433</u>
Total expenses	<u>3,005,903</u>	<u>0</u>	<u>3,005,903</u>	<u>2,210,872</u>	<u>0</u>	<u>2,210,872</u>	<u>(300,000)</u>	<u>4,916,775</u>	<u>5,460,314</u>
Change in net assets from operating activities	<u>(592,750)</u>	<u>(406,200)</u>	<u>(998,950)</u>	<u>(18,587)</u>	<u>(60,000)</u>	<u>(78,587)</u>	<u>0</u>	<u>(1,077,537)</u>	<u>300,185</u>
Non-operating activities:									
Net realized and unrealized gains/(loss) on investments (Note 5)	<u>5,710,267</u>		<u>5,710,267</u>			<u>0</u>		<u>5,710,267</u>	<u>(369,068)</u>
Change in net assets	5,117,517	(406,200)	4,711,317	(18,587)	(60,000)	(78,587)	0	4,632,730	(68,883)
Net assets - beginning 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>
Net assets - end of year	<u>\$41,590,949</u>	<u>\$763,314</u>	<u>\$42,354,263</u>	<u>(\$52,391)</u>	<u>\$0</u>	<u>(\$52,391)</u>	<u>\$0</u>	<u>\$42,301,872</u>	<u>\$37,669,142</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, 2021
(With comparative totals for the year ended June 30, 2020)

	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	\$1,241,076	\$295,631	\$156,855	\$452,486	\$1,693,562				\$0	\$0
Payroll taxes and employee benefits	293,365	69,882	37,077	106,959	400,324				0	0
Professional fees	224,761	134,514	14,374	148,888	373,649	\$1,880,756			0	1,880,756
Office expenses	176,279	28,352	15,043	43,395	219,674	26,833			0	26,833
Insurance	30,169	7,187	3,813	11,000	41,169				0	0
Repairs and maintenance	34,681	37,079	4,383	41,462	76,143				0	0
Program events and other meetings	14,057	3,434	1,822	5,256	19,313	448			0	448
Travel	733	171	88	259	992	2,835			0	2,835
Stipends	131,523			0	131,523				0	0
Management fee expense				0	0	222,000	\$51,000	\$27,000	78,000	300,000
Total expenses before depreciation	2,146,644	576,250	233,455	809,705	2,956,349	2,132,872	51,000	27,000	78,000	2,210,872
Depreciation expense	36,314	8,650	4,590	13,240	49,554				0	0
Total expenses	\$2,182,958	\$584,900	\$238,045	\$822,945	\$3,005,903	\$2,132,872	\$51,000	\$27,000	\$78,000	\$2,210,872

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, 2021
(With comparative totals for the year ended June 30, 2020)

	Organization Totals						
	Eliminations	Total Program Services	Total Management and General	Total Fundraising	Total Supporting Services	Total Expenses 6/30/21	Total Expenses 6/30/20
Salaries		\$1,241,076	\$295,631	\$156,855	\$452,486	\$1,693,562	\$1,789,500
Payroll taxes and employee benefits		293,365	69,882	37,077	106,959	400,324	652,231
Professional fees		2,105,517	134,514	14,374	148,888	2,254,405	2,212,811
Office expenses		203,112	28,352	15,043	43,395	246,507	176,050
Insurance		30,169	7,187	3,813	11,000	41,169	35,311
Repairs and maintenance		34,681	37,079	4,383	41,462	76,143	112,412
Program events and other meetings		14,505	3,434	1,822	5,256	19,761	101,715
Travel		3,568	171	88	259	3,827	215,766
Stipends		131,523	0	0	0	131,523	117,635
Management fee expense	(\$300,000)	0	0	0	0	0	0
Total expenses before depreciation	(300,000)	4,057,516	576,250	233,455	809,705	4,867,221	5,413,431
Depreciation expense		36,314	8,650	4,590	13,240	49,554	46,883
Total expenses	(\$300,000)	\$4,093,830	\$584,900	\$238,045	\$822,945	\$4,916,775	\$5,460,314

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, 2021

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

	Carnegie Council for Ethics in International Affairs, Inc.	Carnegie Council Fund, Inc.	Eliminations	Total 6/30/21	Total 6/30/20
Cash flows from operating activities:					
Change in net assets	\$4,711,317	(\$78,587)		\$4,632,730	(\$68,883)
Adjustments to reconcile change in net assets to net cash (used for)/provided by operating activities:					
Depreciation expense	49,554	0		49,554	46,883
Realized gain on sale of investments	(373,955)	0		(373,955)	(8,332)
Unrealized (gain)/loss on investments	(5,370,050)	0		(5,370,050)	347,850
Donated securities	0	0		0	(9,958)
Changes in assets and liabilities:					
Pledges receivable	381,200	(482,574)		(101,374)	(1,319,733)
Program fees and other receivable	5,274	0		5,274	(12,983)
Due from affiliated organization	(462,211)	0	\$462,211	0	0
Prepaid expenses	(28,667)	0		(28,667)	(31,249)
Accounts payable and accrued expenses	6,870	0		6,870	(9,732)
Grant advances	0	(429,593)		(429,593)	1,202,864
Paycheck Protection Program loan payable	(426,095)	0		(426,095)	426,095
Due to affiliated organization	0	462,211	(462,211)	0	0
Total adjustments	<u>(6,218,080)</u>	<u>(449,956)</u>	<u>0</u>	<u>(6,668,036)</u>	<u>631,705</u>
Net cash (used for)/provided by operating activities	<u>(1,506,763)</u>	<u>(528,543)</u>	<u>0</u>	<u>(2,035,306)</u>	<u>562,822</u>
Cash flows from investing activities:					
Purchase of investments	(28,123,089)	0		(28,123,089)	(4,429,500)
Proceeds from sales of investments	29,099,460	0		29,099,460	5,186,160
Purchases of fixed assets	(43,581)	0		(43,581)	(10,694)
Net cash provided by investing activities	<u>932,790</u>	<u>0</u>	<u>0</u>	<u>932,790</u>	<u>745,966</u>
Net (decrease)/increase in cash, cash equivalents and restricted cash	(573,973)	(528,543)	0	(1,102,516)	1,308,788
Cash, cash equivalents and restricted cash - beginning of year	<u>2,213,096</u>	<u>1,090,534</u>	<u>0</u>	<u>3,303,630</u>	<u>1,994,842</u>
Cash, cash equivalents and restricted cash - end of year	<u><u>\$1,639,123</u></u>	<u><u>\$561,991</u></u>	<u><u>\$0</u></u>	<u><u>\$2,201,114</u></u>	<u><u>\$3,303,630</u></u>
Cash, cash equivalents and restricted cash:					
Cash and cash equivalents	\$1,523,307	\$561,991		\$2,085,298	\$2,776,549
Cash and cash equivalents - board designated fund	115,816			115,816	527,081
Total cash, cash equivalents and restricted cash	<u><u>\$1,639,123</u></u>	<u><u>\$561,991</u></u>	<u><u>\$0</u></u>	<u><u>\$2,201,114</u></u>	<u><u>\$3,303,630</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, 2021

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 & 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 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 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.

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 Affiliate 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, 2021 totaling \$2,133,838, 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, 2021 and 2020, 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, 2021 and 2020.

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 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, 2018 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, 2020, from which the summarized information was derived.

o. New Accounting Pronouncements

FASB issued Accounting Standards Update (“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 - Contributions Receivable

Contributions receivable are expected in the following periods:

Year ending:	June 30, 2022	\$988,314
	June 30, 2023	250,000
	June 30, 2024	250,000
Total		<u>\$1,488,314</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>6/30/21</u>	<u>6/30/20</u>
Land	\$19,500	\$19,500
Buildings (25 years)	4,234,281	4,234,281
Building improvements (25 years)	1,490,709	1,457,824
Furniture and fixtures (8 years)	224,117	224,117
Equipment (5 years)	<u>425,469</u>	<u>414,773</u>
	6,394,076	6,350,495
Less: accumulated depreciation	<u>(5,856,315)</u>	<u>(5,806,761)</u>
Total	<u>\$537,761</u>	<u>\$543,734</u>

Note 5 - Investments and Fair Value Measurements

The following summarizes the composition of investments:

Investments at fair value:

	<u>6/30/21</u>	<u>6/30/20</u>
Level 1 securities:		
U.S. Mutual Funds	\$3,923,051	\$3,964,875
U.S. Equities - Stock	12,151,668	9,643,758
Foreign Equities	<u>7,744,329</u>	<u>5,983,314</u>
Total Level 1 Securities	<u>23,819,048</u>	<u>19,591,947</u>
Level 2 securities:		
U.S. Treasury Securities	<u>12,762,664</u>	<u>12,228,962</u>
Total Investments at fair value	<u>\$36,581,712</u>	<u>\$31,820,909</u>

Investments in limited partnerships and private equity – board designated:

Investments measured at net asset value:

Limited partnerships and private equity	<u>\$2,138,858</u>	<u>\$2,132,027</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 net gains/(loss) on investments:

	<u>6/30/21</u>	<u>6/30/20</u>
Realized gain	\$373,955	\$8,332
Unrealized gain/(loss)	5,370,050	(347,850)
Investment fees	<u>(33,738)</u>	<u>(29,550)</u>
Total	<u>\$5,710,267</u>	<u>(\$369,068)</u>

Note 6 - 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 consist of the following:

	<u>6/30/21</u>	<u>6/30/20</u>
Cash and cash equivalents – board designated fund	\$115,816	\$527,081
Investments at fair value – board designated fund	<u>36,581,712</u>	<u>31,820,909</u>
Total investments – board designated fund	36,697,528	32,347,990
Investments in limited partnerships and private equity – board designated fund	<u>2,138,858</u>	<u>2,132,027</u>
Total	<u>\$38,836,386</u>	<u>\$34,480,017</u>

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

	<u>June 30, 2021</u>		
	Board Designated- Reserve	Board Designated- Capital Improvements	Total
Endowment net assets, 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 net assets, end of year	<u>\$37,593,323</u>	<u>\$1,243,063</u>	<u>\$38,836,386</u>

	<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>

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 7 - 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. Portions not forgiven will be payable over a five-year period, with a ten-month deferral of payments and interest will accrue at 1%.

The Council accounts 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 subsequent to year-end.

Note 8 - Net Assets with Donor Restrictions

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

	<u>June 30, 2021</u>			
	Balance <u>7/1/20</u>	<u>Contributions</u>	Released from <u>Restrictions</u>	Balance <u>6/30/21</u>
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>
	<u>June 30, 2020</u>			
	Balance <u>7/1/19</u>	<u>Contributions</u>	Released from <u>Restrictions</u>	Balance <u>6/30/20</u>
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>

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, 2021 and 2020 was \$140,482 and \$150,592, 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	\$2,085,298	
Pledges receivable	1,488,314	
Program fees and other receivable	<u>34,710</u>	
Total		\$3,608,322
Less amounts not available for general expenditures:		
Amounts included as financial assets that are restricted for future periods		<u>(763,314)</u>
Financial assets available to meet cash needs for general expenditures within one year		<u>\$2,845,008</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

Subsequent events have been evaluated through December 16, 2021, the date the financial statements were available to be issued. Adjustments and disclosures have been made for all subsequent events that have occurred.

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.

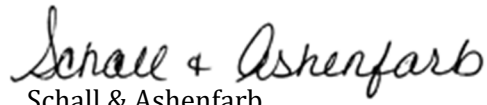
**INDEPENDENT AUDITOR'S REPORT
ON SUPPLEMENTARY INFORMATION**

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

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, 2021, and have issued our report thereon dated December 16, 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.

The combining schedule of program services 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

December 16, 2021

CARNEGIE COUNCIL FOR ETHICS IN INTERNATIONAL AFFAIRS, INC. AND AFFILIATE
COMBINING SCHEDULE OF PROGRAM SERVICES
FOR THE YEAR ENDED JUNE 30, 2021

	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	\$170,547	\$206,523	\$523,700	\$117,966	\$222,340	\$1,241,076			\$1,241,076
Payroll taxes and employee benefits	40,314	48,817	123,792	27,883	52,559	293,365			293,365
Professional fees	37,627	45,565	115,543	26,026		224,761	\$1,880,756		2,105,517
Office expenses	86,992	19,806	50,224	11,314	7,943	176,279	26,833		203,112
Insurance	4,145	5,020	12,731	2,868	5,405	30,169			30,169
Repairs and maintenance	4,767	5,771	14,634	3,296	6,213	34,681			34,681
Program events and other meetings	1,981	2,399	6,083	1,370	2,224	14,057	448		14,505
Travel	95	114	291	66	167	733	2,835		3,568
Stipends	78,914	19,728	3,946	28,935		131,523			131,523
Management fee expense						0	222,000	(\$222,000)	0
Total expenses before depreciation	425,382	353,743	850,944	219,724	296,851	2,146,644	2,132,872	(222,000)	4,057,516
Depreciation expense	4,990	6,043	15,324	3,451	6,506	36,314			36,314
Total expenses	<u>\$430,372</u>	<u>\$359,786</u>	<u>\$866,268</u>	<u>\$223,175</u>	<u>\$303,357</u>	<u>\$2,182,958</u>	<u>\$2,132,872</u>	<u>(\$222,000)</u>	<u>\$4,093,830</u>