

Financial Statements and Report of
Independent Certified Public
Accountants

Council of Foreign Relations, Inc.

June 30, 2021 and 2020

Contents

	Page
Report of Independent Certified Public Accountants	3
Financial Statements	
Statements of financial position as of June 30, 2021 and 2020	5
Statement of activities for the year ended June 30, 2021	6
Statement of activities for the year ended June 30, 2020	7
Statement of functional expenses for the year ended June 30, 2021	8
Statement of functional expenses for the year ended June 30, 2020	10
Statements of cash flows for the years ended June 30, 2021 and 2020	12
Notes to financial statements	13

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Directors of
Council on Foreign Relations, Inc.

We have audited the accompanying financial statements of Council on Foreign Relations, Inc., which comprise the statements of financial position as of June 30, 2021 and 2020, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's responsibility for the financial statements

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

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Council on Foreign Relations, Inc. as of June 30, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Grant Thornton LLP

New York, New York
October 13, 2021

Council on Foreign Relations, Inc.

STATEMENTS OF FINANCIAL POSITION

As of June 30, 2021 and 2020

	2021	2020
ASSETS		
Cash and cash equivalents (Notes 2 and 13)	\$ 49,786,200	\$ 37,195,600
Accounts receivable, net (Notes 2 and 13)	1,955,900	2,117,200
Prepaid expenses and inventory (Note 2)	1,348,400	1,484,500
Grants and contributions receivable, net (Notes 2 and 4)	13,088,400	21,935,000
Contributions receivable for endowment, net (Notes 2, 4, and 10)	14,443,000	15,304,600
Investments (Notes 2, 3, 11 and 13)	589,309,500	479,956,700
Land, buildings and building improvements, and equipment, net (Notes 2 and 5)	62,930,300	66,242,100
Total assets	\$ 732,861,700	\$ 624,235,700
LIABILITIES		
Accounts payable and accrued expenses (Notes 2, 5, and 6)	\$ 8,989,700	\$ 8,087,800
Deferred revenue (Note 2)	6,251,100	6,183,300
Accrued postretirement benefits (Note 7)	4,949,000	5,848,000
Interest-rate swap agreement (Notes 2, 8, and 11)	7,659,100	10,918,900
Bonds payable (Note 8)	48,630,000	50,599,100
Total liabilities	76,478,900	81,637,100
Commitments (Note 12)		
Net assets (Note 2)		
Without donor restrictions	142,857,100	113,484,900
With donor restrictions (Notes 9 and 10)	513,525,700	429,113,700
Total net assets	656,382,800	542,598,600
Total liabilities and net assets	\$ 732,861,700	\$ 624,235,700

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

Council on Foreign Relations, Inc.

STATEMENT OF ACTIVITIES

For the year ended June 30, 2021

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
Operating revenue and support			
Membership dues	\$ 8,052,200	\$ -	\$ 8,052,200
Annual giving	10,605,200	-	10,605,200
Corporate memberships and related income	6,850,000	121,700	6,971,700
Grants and contributions	1,470,500	10,732,500	12,203,000
<i>Foreign Affairs</i> publications	9,298,200	-	9,298,200
Investment return used for current operations (Note 3)	6,895,500	16,098,600	22,994,100
Rental income	151,300	-	151,300
Miscellaneous	73,900	-	73,900
Net assets released from restrictions (Note 9)	27,245,900	(27,245,900)	-
Total operating revenue and support	<u>70,642,700</u>	<u>(293,100)</u>	<u>70,349,600</u>
Operating expenses			
Program expenses:			
Studies Program	22,565,700	-	22,565,700
Task Force	446,100	-	446,100
NY meetings	1,061,600	-	1,061,600
DC Programs	1,279,900	-	1,279,900
Special events	600,800	-	600,800
<i>Foreign Affairs</i> publications	9,772,700	-	9,772,700
National Program	855,400	-	855,400
Outreach Program	1,471,000	-	1,471,000
Term member	351,700	-	351,700
Digital Program	5,524,100	-	5,524,100
Education Program	4,898,700	-	4,898,700
Global Board of Advisors	26,800	-	26,800
Total program expenses	<u>48,854,500</u>	<u>-</u>	<u>48,854,500</u>
Supporting services			
Fundraising:			
Development	2,113,600	-	2,113,600
Corporate Program	1,741,200	-	1,741,200
Total fundraising	<u>3,854,800</u>	<u>-</u>	<u>3,854,800</u>
Management and general	14,747,200	-	14,747,200
Membership	1,654,200	-	1,654,200
Total supporting services	<u>20,256,200</u>	<u>-</u>	<u>20,256,200</u>
Total operating expenses	<u>69,110,700</u>	<u>-</u>	<u>69,110,700</u>
Transfer from operations to Innovation Fund for Foreign Affairs (Note 2)	<u>(1,000,000)</u>	<u>-</u>	<u>(1,000,000)</u>
Excess (deficiency) of operating revenue and support over operating expenses and transfers	<u>532,000</u>	<u>(293,100)</u>	<u>238,900</u>
Nonoperating activities (Note 2)			
Investment gain in excess of spending rate (Notes 2 and 3)	23,886,400	76,908,300	100,794,700
Endowment contributions (Note 4)	-	7,896,800	7,896,800
Change in value of interest-rate swap agreement (Notes 2 and 8)	3,259,800	-	3,259,800
Other	(205,000)	(100,000)	(305,000)
Postretirement changes other than net periodic costs (Note 7)	899,000	-	899,000
Transfer from operations to Innovation Fund for Foreign Affairs (Note 2)	1,000,000	-	1,000,000
Total nonoperating activities	<u>28,840,200</u>	<u>84,705,100</u>	<u>113,545,300</u>
CHANGES IN NET ASSETS	<u>29,372,200</u>	<u>84,412,000</u>	<u>113,784,200</u>
Net assets, beginning of year	<u>113,484,900</u>	<u>429,113,700</u>	<u>542,598,600</u>
Net assets, end of year	<u>\$ 142,857,100</u>	<u>\$ 513,525,700</u>	<u>\$ 656,382,800</u>

The accompanying notes are an integral part of this financial statement.

Council on Foreign Relations, Inc.

STATEMENT OF ACTIVITIES

For the year ended June 30, 2020

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
Operating revenue and support			
Membership dues	\$ 7,708,800	\$ -	\$ 7,708,800
Annual giving	9,736,900	-	9,736,900
Corporate memberships and related income	6,678,000	217,000	6,895,000
Grants and contributions	1,685,800	16,317,400	18,003,200
<i>Foreign Affairs</i> publications	8,650,100	-	8,650,100
Investment return used for current operations (Note 3)	5,929,900	16,016,200	21,946,100
Rental income	1,204,000	-	1,204,000
Miscellaneous	326,800	1,500	328,300
Net assets released from restrictions (Note 9)	34,023,900	(34,023,900)	-
	<u>75,944,200</u>	<u>(1,471,800)</u>	<u>74,472,400</u>
Operating expenses			
Program expenses:			
Studies Program	24,243,300	-	24,243,300
Task Force	326,000	-	326,000
NY meetings	1,392,100	-	1,392,100
DC Programs	1,605,400	-	1,605,400
Special events	796,000	-	796,000
<i>Foreign Affairs</i> publications	10,569,200	-	10,569,200
National Program	1,183,100	-	1,183,100
Outreach Program	1,864,900	-	1,864,900
Term member	494,900	-	494,900
Digital Program	6,198,900	-	6,198,900
Education Program	4,539,100	-	4,539,100
Global Board of Advisors	88,100	-	88,100
	<u>53,301,000</u>	<u>-</u>	<u>53,301,000</u>
Supporting services			
Fundraising:			
Development	2,382,000	-	2,382,000
Corporate Program	2,090,400	-	2,090,400
	<u>4,472,400</u>	<u>-</u>	<u>4,472,400</u>
Management and general	16,284,300	-	16,284,300
Membership	1,660,100	-	1,660,100
	<u>22,416,800</u>	<u>-</u>	<u>22,416,800</u>
	<u>75,717,800</u>	<u>-</u>	<u>75,717,800</u>
Excess (deficiency) of operating revenue and support over operating expenses	<u>226,400</u>	<u>(1,471,800)</u>	<u>(1,245,400)</u>
Nonoperating activities (Note 2)			
Investment loss in excess of spending rate (Notes 2 and 3)	(2,101,800)	(4,753,400)	(6,855,200)
Endowment contributions (Note 4)	2,360,000	6,521,200	8,881,200
Change in value of interest-rate swap agreement (Notes 2 and 8)	(4,006,700)	-	(4,006,700)
Other	(5,300)	(219,700)	(225,000)
Postretirement changes other than net periodic costs (Note 7)	22,000	-	22,000
	<u>(3,731,800)</u>	<u>1,548,100</u>	<u>(2,183,700)</u>
CHANGES IN NET ASSETS	<u>(3,505,400)</u>	<u>76,300</u>	<u>(3,429,100)</u>
Net assets, beginning of year	<u>116,990,300</u>	<u>429,037,400</u>	<u>546,027,700</u>
Net assets, end of year	<u>\$ 113,484,900</u>	<u>\$ 429,113,700</u>	<u>\$ 542,598,600</u>

The accompanying notes are an integral part of this financial statement.

Council on Foreign Relations, Inc.

STATEMENT OF FUNCTIONAL EXPENSES

For the year ended June 30, 2021

	Program Services												Total Programs
	Studies Program	Task Force	NY Meetings	DC Programs	Special Events	Foreign Affairs Publications	National Program	Outreach Program	Term Member	Digital Program	Education Program	Global Board of Advisors	
Salaries and wages	\$ 12,023,500	\$ 184,800	\$ 647,900	\$ 680,200	\$ 312,400	\$ 3,624,700	\$ 511,700	\$ 823,500	\$ 223,900	\$ 3,197,300	\$ 2,074,500	\$ 8,200	\$ 24,312,600
Other compensation	973,200	18,200	54,800	103,200	24,000	366,000	61,200	95,100	24,100	331,200	223,100	-	2,274,100
Payroll taxes and employee benefits	3,526,200	57,800	202,000	205,200	94,900	1,139,200	154,900	254,500	69,100	990,500	631,800	2,700	7,328,800
Meetings	5,400	400	9,300	2,400	100	1,600	200	3,700	100	1,000	1,000	-	25,200
Printing, publication, and promotion	172,500	67,100	300	600	13,900	1,987,600	400	11,700	100	92,700	331,700	1,400	2,680,000
Research materials	275,400	-	11,400	27,200	-	47,000	8,100	50,300	-	18,200	16,600	-	454,200
Travel-related expenses	39,300	400	1,200	1,500	2,200	5,100	700	1,100	200	4,700	2,400	200	59,000
Administration and finance expenses	442,000	12,600	8,700	36,200	13,400	367,900	12,400	25,100	4,200	75,200	46,800	-	1,044,500
Interest	775,700	34,300	-	66,600	21,100	-	-	34,400	-	61,400	-	-	993,500
Depreciation	1,158,100	24,500	41,500	47,500	52,300	369,500	27,400	52,000	6,100	189,000	203,700	9,200	2,180,800
Business expenses	68,100	15,900	3,000	3,700	2,100	242,000	4,900	15,900	400	12,100	15,500	-	383,600
Operations	330,300	5,200	14,800	10,100	16,300	72,200	9,600	14,800	2,100	60,200	26,500	3,200	565,300
Professional services	2,027,100	16,000	37,500	38,900	22,600	899,400	21,700	35,400	6,600	292,600	726,600	1,900	4,116,300
Information technology	746,900	8,900	29,200	56,600	25,500	660,500	42,200	53,500	14,800	198,000	596,500	-	2,436,600
Total expenses	\$ 22,565,700	\$ 446,100	\$ 1,061,600	\$ 1,279,900	\$ 600,800	\$ 9,772,700	\$ 855,400	\$ 1,471,000	\$ 351,700	\$ 5,524,100	\$ 4,898,700	\$ 26,800	\$ 48,854,500

The accompanying notes are an integral part of this financial statement.

Council on Foreign Relations, Inc.

STATEMENT OF FUNCTIONAL EXPENSES - CONTINUED

For the year ended June 30, 2021

	Total Programs	Supporting Services				Total Supporting	2021 Total
		Development	Corporate Program	Management and General	Membership		
Salaries and wages	\$ 24,312,600	\$ 1,271,300	\$ 1,023,400	\$ 4,662,700	\$ 567,500	\$ 7,524,900	\$ 31,837,500
Other compensation	2,274,100	135,100	107,200	3,124,700	77,800	3,444,800	5,718,900
Payroll taxes and employee benefits	7,328,800	403,800	319,800	1,182,800	171,100	2,077,500	9,406,300
Meetings	25,200	6,900	200	42,400	200	49,700	74,900
Printing, publication, and promotion	2,680,000	11,200	12,900	113,200	238,400	375,700	3,055,700
Research materials	454,200	30,100	26,400	97,600	62,200	216,300	670,500
Travel-related expenses	59,000	2,600	1,400	29,600	1,200	34,800	93,800
Administration and finance expenses	1,044,500	34,500	38,500	596,500	397,100	1,066,600	2,111,100
Interest	993,500	13,900	38,400	834,900	-	887,200	1,880,700
Depreciation	2,180,800	80,000	60,400	1,608,200	40,300	1,788,900	3,969,700
Business expenses	383,600	13,700	4,100	239,700	10,700	268,200	651,800
Operations	565,300	26,900	17,400	718,800	14,100	777,200	1,342,500
Professional services	4,116,300	36,600	36,900	783,800	26,600	883,900	5,000,200
Information technology	2,436,600	47,000	54,200	712,300	47,000	860,500	3,297,100
Total expenses	<u>\$ 48,854,500</u>	<u>\$ 2,113,600</u>	<u>\$ 1,741,200</u>	<u>\$ 14,747,200</u>	<u>\$ 1,654,200</u>	<u>\$ 20,256,200</u>	<u>\$ 69,110,700</u>

The accompanying notes are an integral part of this financial statement.

Council on Foreign Relations, Inc.

STATEMENT OF FUNCTIONAL EXPENSES

For the year ended June 30, 2020

	Program Services												Total Programs
	Studies Program	Task Force	NY Meetings	DC Programs	Special Events	Foreign Affairs Publications	National Program	Outreach Program	Term Member	Digital Program	Education Program	Global Board of Advisors	
Salaries and wages	\$ 12,027,500	\$ 171,200	\$ 591,700	\$ 647,500	\$ 381,400	\$ 3,810,900	\$ 454,300	\$ 829,200	\$ 214,900	\$ 3,180,300	\$ 1,854,600	\$ 8,400	\$ 24,171,900
Other compensation	820,600	8,300	62,000	103,500	67,000	431,700	57,300	101,700	23,900	337,500	196,900	600	2,211,000
Payroll taxes and employee benefits	3,526,600	52,200	184,600	191,500	117,300	1,173,500	138,100	251,800	65,700	975,100	559,900	2,700	7,239,000
Meetings	276,100	16,300	342,500	291,800	600	38,100	334,200	119,700	110,100	9,900	11,000	34,700	1,585,000
Printing, publication, and promotion	88,600	29,500	1,500	1,800	13,800	2,192,900	3,300	38,300	500	87,300	383,200	1,600	2,842,300
Research materials	277,600	200	9,500	26,700	200	62,000	8,200	44,700	100	23,600	17,300	-	470,100
Travel-related expenses	515,200	5,300	21,300	40,600	4,300	51,600	36,000	96,200	32,300	86,300	31,400	16,400	936,900
Administration and finance expenses	409,400	4,900	6,800	35,700	12,600	482,000	7,400	32,300	3,300	73,500	32,700	-	1,100,600
Interest	802,200	7,200	-	71,800	22,000	-	-	61,300	-	87,800	-	-	1,052,300
Depreciation	1,369,600	4,700	54,000	46,500	66,600	288,500	38,500	78,200	8,600	260,900	116,800	12,900	2,345,800
Business expenses	81,100	1,500	8,900	8,000	4,500	409,800	7,700	31,800	3,400	27,900	22,400	400	607,400
Operations	487,100	1,800	21,200	18,300	23,300	96,700	12,800	28,300	2,900	90,200	35,400	4,300	822,300
Professional services	2,715,800	11,300	59,000	61,100	56,200	901,600	49,800	84,000	12,400	672,100	668,400	6,100	5,297,800
Information technology	845,900	11,600	29,100	60,600	26,200	629,900	35,500	67,400	16,800	286,500	609,100	-	2,618,600
Total expenses	<u>\$ 24,243,300</u>	<u>\$ 326,000</u>	<u>\$ 1,392,100</u>	<u>\$ 1,605,400</u>	<u>\$ 796,000</u>	<u>\$ 10,569,200</u>	<u>\$ 1,183,100</u>	<u>\$ 1,864,900</u>	<u>\$ 494,900</u>	<u>\$ 6,198,900</u>	<u>\$ 4,539,100</u>	<u>\$ 88,100</u>	<u>\$ 53,301,000</u>

The accompanying notes are an integral part of this financial statement.

Council on Foreign Relations, Inc.

STATEMENT OF FUNCTIONAL EXPENSES - CONTINUED

For the year ended June 30, 2020

	Total Programs	Supporting Services				Total Supporting	2020 Total
		Development	Corporate Program	Management and General	Membership		
Salaries and wages	\$ 24,171,900	\$ 1,310,100	\$ 1,095,600	\$ 5,409,000	\$ 637,800	\$ 8,452,500	\$ 32,624,400
Other compensation	2,211,000	163,000	71,500	2,929,800	78,400	3,242,700	5,453,700
Payroll taxes and employee benefits	7,239,000	412,700	339,700	1,388,900	192,800	2,334,100	9,573,100
Meetings	1,585,000	123,900	134,100	198,100	7,800	463,900	2,048,900
Printing, publication, and promotion	2,842,300	14,400	18,200	183,600	245,900	462,100	3,304,400
Research materials	470,100	29,200	26,600	95,200	6,800	157,800	627,900
Travel-related expenses	936,900	41,600	51,800	115,100	7,200	215,700	1,152,600
Administration and finance expenses	1,100,600	32,300	36,700	535,900	317,100	922,000	2,022,600
Interest	1,052,300	-	60,500	848,800	-	909,300	1,961,600
Depreciation	2,345,800	99,400	85,700	1,798,500	52,300	2,035,900	4,381,700
Business expenses	607,400	13,200	6,500	393,900	11,700	425,300	1,032,700
Operations	822,300	33,800	31,000	759,500	17,400	841,700	1,664,000
Professional services	5,297,800	54,400	69,400	1,037,300	37,700	1,198,800	6,496,600
Information technology	2,618,600	54,000	63,100	590,700	47,200	755,000	3,373,600
Total expenses	<u>\$ 53,301,000</u>	<u>\$ 2,382,000</u>	<u>\$ 2,090,400</u>	<u>\$ 16,284,300</u>	<u>\$ 1,660,100</u>	<u>\$ 22,416,800</u>	<u>\$ 75,717,800</u>

The accompanying notes are an integral part of this financial statement.

Council on Foreign Relations, Inc.

STATEMENTS OF CASH FLOWS

For the years ended June 30, 2021 and 2020

	2021	2020
Cash flows from operating activities		
Changes in net assets	\$ 113,784,200	\$ (3,429,100)
Adjustments to reconcile changes in net assets to net cash used in operating activities:		
Depreciation	3,969,700	4,381,700
Change in discount on grants and contributions and contributions for endowment receivables	(302,600)	(427,900)
Change in fair value of interest-rate swap agreement	(3,259,800)	4,006,700
Net realized and unrealized gain on investments	(117,544,100)	(11,727,000)
Bad debt expense	338,400	548,000
Contributions restricted for investment in endowment	(7,896,800)	(8,881,200)
Changes in operating assets and liabilities:		
Accounts receivable	(177,100)	512,800
Prepaid expenses and inventory	136,200	(391,600)
Grants and contributions receivable	9,149,200	2,062,800
Accounts payable and accrued expenses	901,900	(427,400)
Deferred revenue	67,800	(340,100)
Accrued postretirement benefits	(899,000)	(4,000)
	<u>(1,732,000)</u>	<u>(14,116,300)</u>
Net cash used in operating activities		
Cash flows from investing activities		
Purchases of building improvements and equipment	(657,900)	(1,757,700)
Purchases of investments	(146,972,100)	(114,067,300)
Proceeds from sales of investments	155,163,300	121,669,400
	<u>7,533,300</u>	<u>5,844,400</u>
Net cash provided by investing activities		
Cash flows from financing activities		
Contributions restricted for investment in endowment	8,758,400	13,712,800
Principal payments on bonds payable	(1,969,100)	(1,894,100)
	<u>6,789,300</u>	<u>11,818,700</u>
Net cash provided by financing activities		
NET INCREASE IN CASH AND CASH EQUIVALENTS	12,590,600	3,546,800
Cash and cash equivalents, beginning of year	<u>37,195,600</u>	<u>33,648,800</u>
Cash and cash equivalents, end of year	<u>\$ 49,786,200</u>	<u>\$ 37,195,600</u>
Supplemental disclosure of cash flow information		
Interest paid on bonds	<u>\$ 1,880,700</u>	<u>\$ 1,961,600</u>

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

Council on Foreign Relations, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2021 and 2020

NOTE 1 - ORGANIZATION AND NATURE OF ACTIVITIES

Council on Foreign Relations, Inc. (“CFR”) is an independent, nonpartisan membership organization, think tank, and publisher dedicated to being a resource for its members, government officials, business executives, journalists, educators and students, civic and religious leaders, and other interested citizens, in order to help them better understand the world and the foreign policy choices facing the United States and other countries. Founded in 1921, CFR takes no institutional positions on matters of policy. CFR carries out its mission by maintaining a diverse membership; convening meetings at its headquarters in New York, and in Washington, D.C., and other cities where senior government officials, members of Congress, global leaders, and prominent thinkers come together with CFR members to discuss and debate major international issues; supporting a Studies Program that fosters independent research; publishing *Foreign Affairs*, the preeminent journal on international affairs and U.S. foreign policy; sponsoring Independent Task Forces; and, providing up-to-date information and analysis about world events and American foreign policy on its website, CFR.org.

CFR is a Section 501(c)(3) not-for-profit organization, incorporated in the State of New York, exempt from federal income taxes under Section 501(a) of the Internal Revenue Code (the “Code” or “IRC”) and is a publicly supported organization, as described in Section 509(a)(1) of the Code. CFR is also exempt from state and local income taxes.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying financial statements have been prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”).

Cash and Cash Equivalents

CFR considers all highly liquid investments purchased with original maturities of three months or less, excluding cash and money market funds held in investments, to be cash equivalents.

Allowance for Doubtful Accounts

As of June 30, 2021 and 2020, CFR determined that an allowance for uncollectible accounts of \$262,700 and \$231,800, respectively, is necessary for certain potentially uncollectible membership and *Foreign Affairs* receivables. In addition, CFR determined that no allowance is necessary for grants and contributions receivable, and contributions receivable for its endowment as of June 30, 2021 and 2020. This determination is based on a combination of factors, such as management’s estimate of the creditworthiness of its members and contributors, a review of individual accounts outstanding, the aged basis of receivables, current economic conditions, and historical collection experience. Receivables are written-off in the net asset category in which they reside when determined to be uncollectible.

Investments

CFR’s investments in marketable debt and equity securities are recorded at fair value based on quoted market prices as of the measurement date. Donated securities are recorded at fair value as determined on the date received. Interest income is recorded on an accrual basis and dividend income is recorded based on the ex-dividend date.

It is CFR’s policy to make an annual investment allocation for the support of its operations up to 5% of the average fair value of its endowment investments for the five previous years.

Council on Foreign Relations, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2021 and 2020

CFR's investments in alternative investment companies are carried at the aggregate net asset value ("NAV") of the shares held by CFR. The NAV is based on the fair value of the respective alternative investment company's investment portfolio, as determined by the management of the alternative investment company as of the measurement date. CFR's investments in alternative investment companies are primarily in limited partnerships.

In certain instances, CFR's ability to liquidate its investments in limited partnerships is restricted in accordance with the provisions of the respective partnership agreement.

The reported value of CFR's investments that do not have readily determinable fair values is determined on an estimated basis by the investment managers as of the measurement date. Because of the inherent uncertainty of valuation, the fair values determined by the respective investment managers may differ from values that would be used had a ready market for these investments existed, and such differences could be material. The financial statements of the investees are audited annually by independent auditors. Investment income and gains (losses) attributable to CFR pertaining to these funds are recorded on the accrual basis of accounting in the accompanying financial statements.

Land, Buildings and Building Improvements, and Equipment

Land, buildings and building improvements, and equipment are stated at cost if purchased or at fair value at the date of gift if donated, less accumulated depreciation. These amounts do not purport to represent replacement or realizable values. CFR capitalizes expenditures for land, buildings and building improvements, and equipment having a cost of \$1,500 or more and which have useful lives of greater than three years. Depreciation is provided on the straight-line basis over the estimated useful lives of these assets (see Note 5).

Costs incurred for repairs, maintenance, and minor improvements that do not substantially extend an asset's useful life are charged to expense as incurred. Major improvements, which substantially extend the useful lives of assets, are capitalized.

Inventory

Inventory consists primarily of paper that is stored offsite and used in the printing of the bimonthly publication *Foreign Affairs*. Inventory is stated at the lower of cost (first-in, first-out method) or market.

Deferred Subscription Revenue

CFR's subscriptions are recognized as revenue ratably over the applicable period. Deferred revenue represents subscription payments received in advance.

Net Assets Without Donor Restrictions

Represent net assets which are not subject to donor-imposed stipulations and are fully available to be utilized in any of CFR's programs or supporting services. Net assets without donor restrictions include amounts designated for specific purposes by CFR's Board of Directors.

The Board has approved a resolution effective June 30, 2021 to designate \$1 million of the fiscal 2021 surplus to establish an Innovation Fund for *Foreign Affairs (Fund)* magazine. Such funds (designated net assets) will not be applied to fund normal activities and will be utilized toward developing new innovative projects to broaden both the editorial and business content of the publication. Amounts expended from this Fund will be subject to CFR's annual board governance and budget allocation approval processes.

Council on Foreign Relations, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2021 and 2020

Net Assets With Donor Restrictions

Represent net assets which are subject to donor-imposed stipulations whose use is restricted by time and/or purpose. A portion of CFR's net assets with donor restrictions requires CFR to use or expend the gifts as specified, based on purpose or passage of time.

Accounting for Uncertainty in Income Taxes

CFR has adopted the provisions of the Accounting Standards Codification ("ASC") 740, *Accounting for Uncertainties in Income Taxes*. ASC 740-10 clarifies the accounting for uncertainty in tax positions taken or expected to be taken in a tax return, including issues relating to financial statement recognition and measurement. This section provides that the tax effects from an uncertain tax position can be recognized in the financial statements only if the position is "more-likely-than-not" to be sustained if the position were to be challenged by a taxing authority. The assessment of the tax position is based solely on the technical merits of the position, without regard to the likelihood that the tax position may be challenged.

CFR is exempt from federal and New York State income taxation by virtue of being an organization described in Section 501(c)(3) of the IRC and similar provisions of the New York State tax code. Nevertheless, CFR may be subject to tax on income unrelated to its exempt purpose, unless that income is otherwise excluded by the Code. CFR believes that there are no material uncertain tax positions within its financial statements.

Support and Revenue

Contributions (including unconditional promises to give) are recorded when received at fair value. Contributions received with donor stipulations that limit the use of the donated assets are reported as part of net assets with donor restrictions (restricted support). Unconditional promises to give, with payments due in future years, are reported as part of net assets with donor restrictions, discounted to present value using credit adjusted discount rates which articulate with the collection period of the respective pledge. Such discounts are not subsequently revised and are amortized over the collection period of the respective pledge as additional contribution revenue in accord with donor-stipulated restrictions, if any.

Conditional contributions, such as grants with matching requirements, are recognized in the appropriate net asset class when the conditions on which they depend have been satisfied. Bequests are recognized as receivables at the time unassailable rights to the gifts have been established and the proceeds are measurable.

Membership dues and corporate memberships as presented within the accompanying statements of activities are recorded as revenue ratably over the period for which the dues relate, which typically corresponds with either a portion of the fiscal year or the full fiscal year.

Rental Income

Rental income includes income derived from renting space at CFR's New York office location for various events as well as sublease rental income, for CFRs NY Office. No deferred rent liability or asset is required to be recorded as of June 30, 2021 and 2020, in accordance with U.S. GAAP.

Council on Foreign Relations, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2021 and 2020

Foreign Affairs Publication

Foreign Affairs is a bimonthly magazine published by CFR dedicated to improving the understanding of U.S. foreign policy and international affairs through the free exchange of ideas. All *Foreign Affairs* publication revenue is recognized at a point in time. The primary revenue streams included within *Foreign Affairs* publication revenue include subscription revenue, which totaled \$7,905,973 for the year ended June 30, 2021, and is recorded at the time each issue is served and advertising revenue, which totaled \$830,962 for the year ended June 30, 2021, and is recorded upon the release of each issue.

Postretirement Benefits

U.S. GAAP requires an employer to: (a) recognize on its statement of financial position an asset for a plan's overfunded status or a liability for a plan's underfunded status; (b) measure a plan's assets and its obligations that determine its funded status as of the end of the employer's fiscal year; and (c) recognize changes in the funded status of a defined benefit postretirement plan in the year in which the changes occur.

Interest-Rate Swap Agreement

CFR uses an interest-rate swap agreement as part of its risk management strategy to manage exposure to fluctuations in interest rates and to manage the overall cost of its variable rate debt. The interest-rate swap agreement was not entered into for trading or speculative purposes and does not qualify as a hedge for financial reporting purposes. In accordance with U.S. GAAP, the interest-rate swap agreement is measured at fair value and recognized as either an asset or a liability as of the measurement date. Changes in fair value are recorded as part of nonoperating activities on the statement of activities.

Measure of Operations

CFR includes in its definition of operations all revenues and expenses that are an integral part of its programs and supporting activities, including a Board authorized investment income allocation and all contributions, except for those that pertain to the establishment of permanent endowments. Investment income, including net realized and unrealized gains and losses, earned in excess of (or less than) CFR's aggregate authorized spending amount for operations, the change in value of the interest-rate swap agreement, endowment contributions, post retirement changes other than net periodic and service costs, and other items that are considered to be unusual or non-recurring in nature are recognized as part of nonoperating activities.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The most significant estimates and assumptions embodied in the accompanying financial statements relate to actuarial assumptions used to calculate postretirement benefit obligations, the determination of allowances for doubtful accounts, contributions receivables, the useful lives assigned to fixed assets, and the reported fair value of certain financial instruments, particularly non-exchange traded alternative investments. Actual results could differ from those estimates.

Council on Foreign Relations, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2021 and 2020

Allocation of Expenses

The costs of operating CFR's various programs and providing the related supporting services are summarized on a functional basis on the statements of activities and functional expenses. Accordingly, certain costs have been allocated amongst the programs and supporting services benefited, principally based on square footage occupied by the respective functional areas.

Concentration

Cash and cash equivalents that potentially subject CFR to concentrations of credit risk include cash accounts with banks that exceed the Federal Deposit Insurance Corporation ("FDIC") insurance limits. Interest-bearing accounts are insured up to \$250,000 per depositor. Through December 31, 2012, noninterest-bearing accounts were fully insured. Beginning in 2013, noninterest-bearing accounts are insured similarly to interest-bearing accounts. As of June 30, 2021 and 2020, there is approximately \$45,674,800 and \$33,450,100, respectively, of cash and cash equivalents held in banks that exceed FDIC insurance limits. Such excess amounts include outstanding checks. CFR routinely monitors the financial institutions in which it transacts with and does not believe a significant risk of nonperformance presently exists.

New Pronouncements

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2016-02, *Leases* (Topic 842), which requires entities that lease assets (lessees) to recognize the assets and related liabilities for the rights and obligations created by the leases on the statement of financial position for leases with terms exceeding 12 months. ASU No. 2016-02 defines a lease as a contract or part of a contract that conveys the right to control the use of identified assets for a period of time in exchange for consideration. The lessee in a lease will be required to initially measure the right-of-use asset and the lease liability at the present value of the remaining lease payments, as well as capitalize initial direct costs as part of the right-of-use asset. ASU No. 2016-02 is effective for CFR for fiscal year 2022. CFR is in the process of evaluating the impact this standard will have on its financial statements.

Subsequent Events

CFR has evaluated, for potential recognition and disclosure, events subsequent to the date of its financial statements through October 13, 2021, the date the financial statements were available to be issued. Apart from the events discussed in Note 3, CFR is not aware of any other material subsequent events which would require recognition or disclosure in the financial statements.

Council on Foreign Relations, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2021 and 2020

NOTE 3 - INVESTMENTS

The components of CFR's investment portfolio as of June 30, 2021 and 2020, are as follows:

	2021	2020
Cash and cash equivalents	\$ 11,232,300	\$ 15,771,400
Long-only equities	231,557,300	184,238,400
Deflation hedges and fixed income	54,341,200	57,894,900
Subtotal	297,130,800	257,904,700
Alternative investments:		
Growth-oriented hedge funds	76,131,400	48,884,400
Diversifiers	139,679,000	143,562,500
Private equity and venture capital	73,663,400	27,210,200
Private hard assets	2,704,900	2,394,900
Subtotal	292,178,700	222,052,000
Total	\$ 589,309,500	\$ 479,956,700

Included in the investment amounts above is a pending investment purchase totaling \$4 million that had not yet been credited to the Council's capital account as of June 30, 2021. In addition, also included above is a redemption request totaling \$6.9 million relative to another investment fund that the Council submitted as of June 30, 2021. Both the pending investment purchase and redemption settled subsequent to year-end, and as of June 30, 2021, are reflected in the investment category that they will ultimately be credited to upon settlement.

Growth-oriented assets are long-only equities and growth-oriented hedge funds include all equity and equity-like investments in the portfolio. This allocation will exhibit high correlation to the equity markets and generally have equity-like volatility. This allocation also includes private hard assets given their equity-like characteristics, although these investments may also help protect against unexpected inflation.

Long-only equities include investments in public equities and, therefore, a high beta and correlation with equity markets. Diversification across market cap, geographic region, and sector are important for providing long-term growth to the portfolio. Return expectations track closely with global equities.

Deflation hedges include fixed income investments. This allocation will generally protect value during an economic contraction as investors flee to quality. Since cash and fixed income exhibit low volatility and are liquid in nature, these investments can provide a source of funding during times of market stress.

Alternative investments include the following as of June 30, 2021 and 2020:

- a. Growth-oriented hedge funds include long-biased long/short equity and distressed credit managers, given their equity-like characteristics. Given the hedged exposure, return expectations are slightly lower than equities.
- b. Diversifiers include investments that exhibit generally low correlation to equity markets and lower volatility than public equities. By providing differentiated sources of return and strong downside protection, the diversifiers improve the overall portfolio's risk/return characteristics. The return

Council on Foreign Relations, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2021 and 2020

expectation from this asset class is typically between equities and bonds and varies based on the respective strategy employed.

- c. Private equity funds include investments in private companies using a long investment time horizon of seven-plus years. Private equity funds exhibit equity-like characteristics given their reliance on debt financing, mergers and acquisitions, and equity markets for exits. Return expectations are slightly higher than global equities to compensate for the longer lock-up periods.
- d. Private hard assets are nonpublic investments in oil and gas, timber, and other natural resources that exhibit equity-like characteristics and may also help protect against unexpected inflation. Private hard assets tend to be sensitive to commodity prices as well as mergers and acquisitions and debt and equity markets. Return expectations are typically slightly higher than global equities to compensate for the longer lock-up periods.

As of June 30, 2021 and 2020, CFR has unfunded commitments to limited partnerships totaling approximately \$52.1 million and \$11.6 million, respectively, and intends to sell a portion of its other investments to fund these commitments. Such purchase commitments as of June 30, 2021 are expected to be satisfied by fiscal year 2025.

Investments, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. As such, it is reasonably possible that changes in the fair values of investments will occur in the near-term and such changes could materially affect the amounts reported on the accompanying financial statements.

Investment return (loss) consists of the following for the years ended June 30, 2021 and 2020:

	2021		Total
	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	
Dividends and interest	\$ 2,388,600	\$ 7,217,300	\$ 9,605,900
Realized gains	10,210,000	30,849,600	41,059,600
Unrealized gains	19,018,900	57,465,600	76,484,500
Net realized and unrealized gains	29,228,900	88,315,200	117,544,100
Total gain on investments	31,617,500	95,532,500	127,150,000
Investment return used for current operations	(6,895,500)	(16,098,600)	(22,994,100)
Investment expenses	(835,600)	(2,525,600)	(3,361,200)
Investment gain in excess of spending rate	\$ 23,886,400	\$ 76,908,300	\$ 100,794,700

Council on Foreign Relations, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2021 and 2020

	2020		
	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
Dividends and interest	\$ 1,355,400	\$ 3,988,400	\$ 5,343,800
Realized gains	4,071,700	11,978,700	16,050,400
Unrealized losses	(1,096,800)	(3,226,600)	(4,323,400)
Net realized and unrealized gains	<u>2,974,900</u>	<u>8,752,100</u>	<u>11,727,000</u>
Total gain on investments	4,330,300	12,740,500	17,070,800
Investment return used for current operations	(5,929,900)	(16,016,200)	(21,946,100)
Investment expenses	<u>(502,200)</u>	<u>(1,477,700)</u>	<u>(1,979,900)</u>
Investment loss in excess of spending rate	<u>\$ (2,101,800)</u>	<u>\$ (4,753,400)</u>	<u>\$ (6,855,200)</u>

Council on Foreign Relations, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2021 and 2020

NOTE 4 - GRANTS AND CONTRIBUTIONS RECEIVABLE AND CONTRIBUTIONS RECEIVABLE FOR ENDOWMENT, NET

Receivables consist primarily of promises to give and are due from individuals, corporations, and foundations. Grants and contributions receivable and contributions receivable for endowment as of June 30, 2021 and 2020, are due to be collected as follows:

	2021	2020
Amounts due in less than one year:		
Grants and contributions receivable	\$ 7,252,500	\$ 10,827,400
Contributions receivable for endowment	5,649,700	6,118,300
Total	12,902,200	16,945,700
Amounts due in one to five years:		
Grants and contributions receivable	6,016,400	10,978,600
Contributions receivable for endowment	8,896,000	9,451,000
Total	14,912,400	20,429,600
Amounts due in greater than five years:		
Grants and contributions receivable	-	500,000
Contributions receivable for endowment	50,000	-
Total	50,000	500,000
Gross receivables	27,864,600	37,875,300
Less: discount (at rates varying from 0.18% to 2.77%)	(333,200)	(635,700)
Total receivables, net	\$ 27,531,400	\$ 37,239,600

Endowment contributions receivable, net of discount, totaled \$14,443,000 and \$15,304,600 as of June 30, 2021 and 2020, respectively. CFR also has been named as a beneficiary of various wills and trusts as of June 30, 2021 and 2020. As described in Note 2, CFR does not recognize such intentions as contribution revenue until they become unconditional promises to give and the proceeds of which are measurable.

Council on Foreign Relations, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2021 and 2020

NOTE 5 - LAND, BUILDINGS AND BUILDING IMPROVEMENTS, AND EQUIPMENT, NET

Land, buildings and building improvements, and equipment, at cost, net of accumulated depreciation, as of June 30, 2021 and 2020, are summarized as follows:

	2021	2020	Estimated Useful Lives
Land (New York)	\$ 1,854,300	\$ 1,854,300	
Land (Washington, D.C.)	5,397,700	5,397,700	
Buildings and building improvements (New York)	37,716,400	37,166,300	3 - 55 years
Building and building improvements (Washington, D.C.)	53,722,300	53,722,300	3 - 55 years
Equipment (New York)	19,451,100	19,218,400	3 - 15 years
Equipment (Washington, D.C.)	5,253,900	5,185,300	3 - 15 years
Construction in progress	25,100	218,600	
Total	123,420,800	122,762,900	
Less: accumulated depreciation	(60,490,500)	(56,520,800)	
Total net	\$ 62,930,300	\$ 66,242,100	

Construction in progress predominately consists of project costs related to HVAC updates to improve building ventilation and AV upgrades for hybrid events. Substantially all projects are expected to be completed by October 2021, and the estimated costs remaining to complete these projects is approximately \$200,000.

Depreciation expense amounted to \$3,969,700 and \$4,381,700 for the years ended June 30, 2021 and 2020, respectively.

NOTE 6 - RETIREMENT PLAN

CFR has a defined contribution retirement plan under Section 403(b) of the IRC (the "403(b) Plan") covering all employees who meet the minimum service requirements. Payments to the 403(b) Plan, which are calculated at 8% of each participant's salary for all employees, are made to the Teachers Insurance and Annuity Association and College Retirement Equities Fund ("TIAA-CREF") to purchase individual annuities for plan participants. CFR's 403(b) Plan expense amounted to approximately \$2,363,200 and \$2,389,600 for the years ended June 30, 2021 and 2020, respectively. Participants over the age of 30 must contribute 2.5% of their salaries and have the option to make additional contributions to the 403(b) Plan on their own behalf.

Council on Foreign Relations, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2021 and 2020

NOTE 7 - OTHER POSTRETIREMENT BENEFITS

CFR provides medical and dental benefits for certain retired employees. Current employees receiving benefits will continue to be eligible to receive medical and dental benefits upon retirement under the Postretirement Plan (the "Plan"). Participation in the Plan requires that in order to be eligible to receive plan benefits, an employee must attain the earlier of either age of 60 with 15 years of continuous service, or attain the age of 55 with 25 years of continuous service. Employees hired on or after January 1, 1987 are not eligible for postretirement benefits, with the exception of the current and future Presidents of CFR, Executive Vice President, Senior Vice Presidents, and Editor of Foreign Affairs, hired on or before July 1, 2002 (must have been in the position as of July 1, 2002), with a minimum of 10 years of service and a retirement date on or after July 1, 2003.

The benefit obligation, as determined as of the end of the year measurement date, is as follows:

	2021	2020
Change in benefit obligation		
Benefit obligation, beginning of year	\$ 5,848,000	\$ 5,852,000
Interest cost	129,000	183,000
Actuarial net (gain) loss	(683,000)	156,000
Benefits paid	(345,000)	(343,000)
Benefit obligation, end of year	\$ 4,949,000	\$ 5,848,000

CFR accrues expenses and makes benefit payments as they are incurred annually and has not contributed funds to a separate trustee's account to fund the accumulated postretirement benefit obligation. The discount rate used to determine the end-of-year obligation was 2.45% and 2.27% as of June 30, 2021 and 2020, respectively.

During fiscal 2021, the mortality assumption was updated from the RPEC-2006 White Collar Mortality Table projected generationally with scale MP-2019 to the RPEC-2006 White Collar Mortality Table projected generationally with scale MP-2020. The update in the mortality table resulted in an actuarial gain of \$683,000 for the year ended June 30, 2021.

The net periodic benefit obligations and the components of benefit cost for the years ended June 30, 2021 and 2020, are as follows:

	2021	2020
Interest cost	\$ 129,000	\$ 183,000
Amortization of net loss	197,000	188,000
Amortization of prior service credit	(8,000)	(10,000)
Net periodic cost included in operating expenses	\$ 318,000	\$ 361,000

Council on Foreign Relations, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2021 and 2020

The postretirement benefit cost, net of retiree benefit payments, for the years ended June 30, 2021 and 2020 amounted to \$0 and \$18,000, respectively, and was based on actuarial assumptions and a discount rate set as of the beginning of the year. The discount rate was 2.45% and 2.27% for fiscal years 2021 and 2020, respectively, and the projected unit credit method was used for determining benefits earned during the year.

The net periodic pension cost for the years ended 2021 and 2020 includes reclassifications of amounts previously recognized as part of changes in net assets without donor restrictions as follows:

	2021	2020
Amortization of net loss	\$ 197,000	\$ 188,000
Amortization of prior service credit	(8,000)	(10,000)

Amounts that have not yet been recognized as components of net periodic benefit cost, but are included in net assets without donor restrictions, are as follows:

	2021	2020
Net actuarial loss	\$ 1,792,000	\$ 2,672,000
Prior service credit	(3,000)	(11,000)
	\$ 1,789,000	\$ 2,661,000

Assumed health-care cost trend rates at June 30 are as follows:

	2021	2020
Health care-cost trend rate assumed for next year	6.0%	6.0%
Rate to which the cost trend rate is assumed to decline	4.5%	4.5%
Year that the rate reaches the ultimate trend rate	2032	2032

Increasing the assumed medical care cost trend rate by 1% in each year would increase the accumulated postretirement benefit obligation by \$558,000 and \$688,000 as of June 30, 2021 and 2020, respectively, and the aggregate of the service and interest cost components of net periodic postretirement benefit cost for the years then ended by \$15,000 and \$22,000, respectively. Decreasing the assumed health-care cost trend rate by 1% would decrease the accumulated postretirement benefit obligation by \$476,000 and \$581,000 as of June 30, 2021 and 2020, respectively, and the aggregate of the service and interest cost components of net periodic postretirement benefit cost for the years then ended by \$13,000 and \$19,000, respectively.

Amounts in net assets without donor restrictions expected to be recognized as components of net periodic benefit cost during fiscal year 2022 are as follows:

Net actuarial loss	\$	121,000
Prior service credit		(3,000)

Council on Foreign Relations, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2021 and 2020

The following postretirement benefit payments, which reflect expected future service, as appropriate, are expected to be paid as follows:

2022	\$	291,000
2023		297,000
2024		293,000
2025		309,000
2026		305,000
2027-2031		1,416,000

NOTE 8 - BONDS PAYABLE

Bonds payable amounted to \$48,630,000 and \$50,599,100 as of June 30, 2021 and 2020, respectively, (which approximates fair value) and consist of tax-exempt variable rate demand revenue bonds (the "Bonds"), which were originally issued by the District of Columbia on behalf of CFR in August 2007. On September 4, 2012, these Bonds were purchased by Wells Fargo Municipal Capital Strategies, LLC ("Wells Fargo"). Proceeds of the Bonds were used for the acquisition, renovation, furnishing, and equipping of an office building, located at 1777 F Street, NW, Washington, DC, to be used by CFR for office and conference space.

In connection with the original issuance of the Bonds, CFR incurred \$3,297,400 in financing costs, which were capitalized and were being amortized on a straight-line basis through the conversion date. The remaining unamortized balance of \$2,796,400 was written-off as of June 30, 2013, in accordance with the amended and restated loan agreement dated September 4, 2012.

The Bonds have a stated maturity of August 1, 2042, but CFR can repay the obligation at any time and retire the bond issue. Repayment of principal on the Bonds commenced on August 1, 2013. The Bonds currently bear interest at 80% of one-month LIBOR plus 1%, which is determined by the calculation agent and is payable monthly, in arrears, on the first day of each month ("index rate"). The index rate resets on the first business day of each month utilizing one-month LIBOR from two London business days prior to the reset date (first business day of each month). In no event shall the interest rate exceed the lesser of the highest interest rate, which may be borne by the Bonds under the laws of the District of Columbia and 12% per annum.

During each of the years ended June 30, 2021 and 2020, the index rate ranged between .72% and 2.6%. The LIBOR index rate mode began September 4, 2012 (the "Conversion Date"), and ranged from .074% to 1.92% during each of the years ended June 30, 2021 and 2020. Interest expense on the bonds totaled \$377,000 and \$988,400 for the years ended June 30, 2021 and 2020, respectively.

Pursuant to the Security and Inter-creditor Agreement executed in connection with the reissuance of the bonds, CFR has pledged and granted to Wells Fargo a first priority, security interest in all of CFR's gross revenues as collateral.

With respect to the tax-exempt variable rate demand revenue bonds discussed above, during fiscal 2019, CFR and the issuing authority opted to further amend and restate the First Amended and Restated Indenture and the First Amended Loan Agreement to extend the Put Date (i.e., the date CFR must repurchase the bonds from the holder) and to modify the rate at which the bonds bear interest. Such modification caused a reissuance of the Series 2012 Bonds for federal tax purposes. Substantially all of the other previous provisions and covenants remain in force as well as the interest-rate swap agreement.

Council on Foreign Relations, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2021 and 2020

Principal payments are as follows for years subsequent to June 30, 2021:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Refinance Fees</u>	<u>Total</u>
2022	\$ 2,060,000	\$ (10,360)	\$ 2,049,640
2023	2,140,000	(10,360)	2,129,640
2024	2,225,000	(10,360)	2,214,640
2025	2,315,000	(10,360)	2,304,640
2026	2,410,000	(10,360)	2,399,640
Thereafter	<u>37,655,000</u>	<u>(123,200)</u>	<u>37,531,800</u>
Total	<u>\$ 48,805,000</u>	<u>\$ (175,000)</u>	<u>\$ 48,630,000</u>

CFR entered into an interest-rate swap agreement, with an effective date of December 7, 2007, whereby CFR agreed to swap its variable rate of interest on the Bonds for a fixed rate equal to 3.719%. The interest-rate swap was novated on September 4, 2012, to Wells Fargo Bank, N.A., with an effective date of September 1, 2012, and a fixed rate equal to 3.37%. The notional amount, per the novated swap agreement, is \$48,630,000 and \$50,599,100 as of June 30, 2021 and 2020, respectively, and is amortized annually until the termination date on August 1, 2037. The fair value of the swap agreement as of June 30, 2021 and 2020, is a liability of \$7,659,100 and \$10,918,900, respectively. Net settlement transactions related to the swap agreement resulted in a net loss to CFR totaling \$1,503,700 and \$973,200 for the years ended June 30, 2021 and 2020, respectively.

As of and for the years ended June 30, 2021 and 2020, amounts included within the accompanying financial statements relating to the interest-rate swap agreement are as follows:

2021				
<u>Fair Value at June 30, 2021</u>	<u>Statement of Financial Position Location</u>	<u>Change in Value of Interest-Rate Swap Agreement for the Year Ended June 30, 2021</u>	<u>Statement of Activities Location</u>	<u>Level Within Fair Value Hierarchy</u>
\$ 7,659,100	Interest-rate swap agreement (liabilities)	\$ 3,259,800	Change in value of interest-rate swap agreement	Level 2
2020				
<u>Fair Value at June 30, 2020</u>	<u>Statement of Financial Position Location</u>	<u>Change in Value of Interest-Rate Swap Agreement for the Year Ended June 30, 2020</u>	<u>Statement of Activities Location</u>	<u>Level Within Fair Value Hierarchy</u>
\$ 10,918,900	Interest-rate swap agreement (liabilities)	\$ (4,006,700)	Change in value of interest-rate swap agreement	Level 2

Council on Foreign Relations, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2021 and 2020

Effective February 1, 2014, CFR entered into a credit agreement with Wells Fargo Bank, N.A., to provide a revolving line of credit note in the amount of \$6 million. The line of credit was originally available between the date of the agreement and January 31, 2015. The maturity date of the line of credit was extended during fiscal years 2021 and 2020 and is now January 31, 2022. No amounts were outstanding under the line of credit as of June 30, 2021 and 2020.

NOTE 9 - NET ASSETS WITH DONOR RESTRICTIONS

Donor-restricted net assets as of June 30, 2021 and 2020, which are subject to expenditure for specified purposes, are as follows:

	2021	2020
Studies Program	\$ 49,071,100	\$ 48,288,000
NY Meetings	2,238,000	2,270,500
Term member	1,335,400	1,460,700
<i>Foreign Affairs</i> publications	1,074,800	1,094,000
National Program	674,900	781,500
Digital Program	-	48,500
Education Program	8,287,100	9,123,500
Capital	802,800	1,062,800
Various other programs/operating purposes	189,240,300	111,979,800
Total	\$ 252,724,400	\$ 176,109,300

Restricted net assets were released from restrictions by incurring expenses satisfying the donor-restricted purposes or by the occurrence of other events specified by the donors for the years ended June 30, 2021 and 2020, as follows:

	2021	2020
Studies Program	\$ 10,443,300	\$ 12,689,700
NY Meetings	542,500	609,100
Term member	125,300	290,100
<i>Foreign Affairs</i> publications	239,600	310,400
National Program	279,500	354,700
Outreach Program	79,400	120,700
Digital Program	-	651,500
Education Program	3,587,300	4,688,100
Capital	260,000	260,000
Various other programs/operating programs	11,689,000	14,049,600
Total	\$ 27,245,900	\$ 34,023,900

Council on Foreign Relations, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2021 and 2020

Restricted net assets comprising CFR's permanent endowment as of June 30, 2021 and 2020, the income from which is subject to CFR's spending policy and Board appropriation, consist of the following:

	2021	2020
Studies Program	\$ 100,341,200	\$ 94,759,300
NY Meetings	11,213,700	9,202,600
National Program	2,900,000	2,700,000
Library	156,700	156,700
<i>Foreign Affairs</i> publications	2,620,200	2,620,200
Term member	2,500,000	2,500,000
Investment management	3,731,000	3,731,000
Various other programs/operating purposes	137,338,500	137,334,600
Total	\$ 260,801,300	\$ 253,004,400

NOTE 10 - ENDOWMENT NET ASSETS

The State of New York passed the New York Prudent Management of Institutional Funds Act ("NYPMIFA"), its version of the Uniform Prudent Management of Institutional Funds Act ("UPMIFA"). All not-for-profit organizations formed in New York must apply this law. It was effective for CFR's 2011 fiscal year. One of the provisions of NYPMIFA created a rebuttable presumption of imprudence if an organization appropriates more than 7% of a donor-restricted permanent endowment fund's fair value (averaged over a period of not less than the preceding five years) in any year. Any unappropriated earnings that would otherwise be considered without donor restrictions will be reflected as part of net assets with donor restrictions until appropriated for expenditure.

CFR classifies as net assets with donor restrictions: (a) the original value of gifts donated to its permanent endowment; (b) the original value of subsequent gifts to its permanent endowment; and (c) accumulations to its permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. Unspent endowment earnings remain classified as part of net assets with donor restrictions until such amounts are appropriated for expenditure by the Board of Directors of CFR in a manner consistent with the standard of prudence prescribed by NYPMIFA. In accordance with NYPMIFA, CFR considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the endowment fund;
- The purposes of CFR and its donor-restricted endowment fund;
- General economic conditions;
- The possible effect of inflation or deflation;
- The expected total return from income and appreciation of endowment investments;
- Other resources of CFR;
- The investment policies of CFR; and
- Where appropriate, alternatives to spending from the donor-restricted endowment fund and the possible effects on CFR.

Council on Foreign Relations, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2021 and 2020

CFR's endowment investment policy is to invest primarily in a mix of equities, fixed income securities, and alternative investments based on an asset allocation to satisfy its overall endowment financial and investment objectives, such as to preserve principal, protect against inflation, receive stable returns, and achieve long-term growth. CFR relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). Annual spending from the endowment fund is described further in Note 2.

The asset allocation plan provides for diversification of assets in an effort to maximize investment returns and manage risk to CFR consistent with market conditions.

Changes in endowment investments for the years ended June 30, 2021 and 2020, follow:

2021	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions		Total Funds 2021
		Spendable	Corpus	
Board-designated/quasi-endowment	\$ 143,973,100	\$ -	\$ -	\$ 143,973,100
Donor-restricted endowment:				
Underwater	-	-	-	-
Other	-	198,976,800	246,359,600	445,336,400
Total endowment funds	<u>\$ 143,973,100</u>	<u>\$ 198,976,800</u>	<u>\$ 246,359,600</u>	<u>\$ 589,309,500</u>
Endowment net assets, beginning of year	\$ 120,186,900	\$ 122,068,600	\$ 237,701,200	\$ 479,956,700
Investment activity	30,781,800	93,006,800	-	123,788,600
Contributions/cash collected on endowment multi-year pledges	-	-	8,758,400	8,758,400
Proceeds from sale of investments/purchases, net	(100,100)	-	-	(100,100)
Write-offs of endowment	-	-	(100,000)	(100,000)
Amounts appropriated for expenditure	(6,895,500)	(16,098,600)	-	(22,994,100)
Total endowment activity	<u>23,786,200</u>	<u>76,908,200</u>	<u>8,658,400</u>	<u>109,352,800</u>
Endowment net assets, end of year	<u>\$ 143,973,100</u>	<u>\$ 198,976,800</u>	<u>\$ 246,359,600</u>	<u>\$ 589,309,500</u>

Council on Foreign Relations, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2021 and 2020

2020	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions		Total Funds 2020
		Spendable	Corpus	
Board-designated/quasi-endowment	\$ 120,186,900	\$ -	\$ -	\$ 120,186,900
Donor-restricted endowment:				
Underwater	-	-	-	-
Other	-	122,068,600	237,701,200	359,769,800
Total endowment funds	<u>\$ 120,186,900</u>	<u>\$ 122,068,600</u>	<u>\$ 237,701,200</u>	<u>\$ 479,956,700</u>
Endowment net assets, beginning of year	\$ 122,441,700	\$ 126,822,000	\$ 226,568,100	\$ 475,831,800
Investment activity	3,828,300	11,262,800	-	15,091,100
Contributions/cash collected on endowment multi-year pledges	2,360,000	-	11,352,800	13,712,800
Proceeds from sale of investments/purchases, net	(2,513,200)	-	-	(2,513,200)
Write-offs of endowment	-	-	(219,700)	(219,700)
Amounts appropriated for expenditure	(5,929,900)	(16,016,200)	-	(21,946,100)
Total endowment activity	<u>(2,254,800)</u>	<u>(4,753,400)</u>	<u>11,133,100</u>	<u>4,124,900</u>
Endowment net assets, end of year	<u>\$ 120,186,900</u>	<u>\$ 122,068,600</u>	<u>\$ 237,701,200</u>	<u>\$ 479,956,700</u>

Endowment net asset amounts are net of contributions receivable for endowment and the associated discount on such receivables.

Endowment investments of \$589,309,500 and \$479,956,700 are included within investments on the accompanying statements of financial position as of June 30, 2021 and 2020, respectively. In addition, CFR recorded endowment receivables of \$14,443,000 and \$15,304,600 as of June 30, 2021 and 2020, respectively, which are recorded as part of net assets with donor restrictions on the accompanying statements of financial position. Such endowment receivables are excluded from the endowment until such time payment is received and are then included as part of contributions/cash collected on endowment multi-year pledges.

Council on Foreign Relations, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2021 and 2020

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires CFR to retain as a fund of perpetual duration. In accordance with CFR's policy, see Note 2, deficiencies of this nature are reported in net assets with donor restrictions. These deficiencies result from unfavorable market fluctuations whereby the respective fair value of a donor-restricted endowment fund falls below the amount that is required to be maintained by law or donor restriction. As of June 30, 2021 and 2020, there were no such deficiencies.

NOTE 11 - FAIR VALUE MEASUREMENTS

Fair value measurements are based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In order to increase consistency and comparability in fair value measurements, a fair value hierarchy was established by the FASB, which prioritizes observable and unobservable inputs used to measure fair value into three levels, as described below:

- Level 1 - Valuations for assets and liabilities traded in active exchange markets, such as the New York Stock Exchange. Level 1 measurements also include U.S. Treasury and federal agency securities and federal agency mortgage-backed securities, which are traded by dealers or brokers in active markets. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.
- Level 2 - Valuations for assets and liabilities traded in less active dealer or broker markets. Valuations are obtained from third-party pricing services for identical or similar assets or liabilities.
- Level 3 - Valuations for assets and liabilities that are derived using other valuation methodologies, including option pricing models, discounted cash flow models or similar techniques, and not based on market exchange, dealer, or broker-traded transactions. Level 3 valuations incorporate certain assumptions and projections in determining the fair value assigned to such assets or liabilities.

Observable inputs reflect assumptions market participants would use in pricing the assets or liabilities developed from sources independent of the reporting entity. Unobservable inputs reflect the reporting entity's own assumptions about what market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

CFR uses NAV to determine the fair value of all underlying investments which (a) do not have a readily determinable fair value and (b) prepare their financial statements consistent with the measurement principles of an investment company or have the attributes of an investment company. The value represents the ownership interest in the hedge fund or respective partnership. The NAV of the investments held by limited partnerships and hedge funds that do not have readily determinable fair values are determined by the general partner or hedge fund manager and are based on appraisals, or other estimates that require varying degrees of judgment. CFR performs due diligence around these investments to ensure NAV is an appropriate measure of fair value as of June 30. Because of the inherent uncertainty of valuing these investments and certain underlying investments held by them, CFR's estimate of fair value may differ significantly from the values that would have been used had a ready market for such investments existed. These investments may be illiquid and thus there can be no assurance that CFR will be able to realize the value of such investments in a timely manner. For partnership interests, gains and losses are dependent upon the general partners' distributions during the life of each partnership.

Council on Foreign Relations, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2021 and 2020

Financial assets and liabilities reported at fair value on the accompanying financial statements, excluding pending purchases and redemptions, as of June 30, 2021 and 2020, are classified in the leveling hierarchy described above as follows:

	2021			
	Level 1	Level 2	Net Asset Value	Total
Assets reported at fair value				
Investments:				
Cash and cash equivalents	\$ 11,232,300	\$ -	\$ -	\$ 11,232,300
Long-only equities	85,205,400	-	146,351,900	231,557,300
Deflation hedges	-	54,341,200	-	54,341,200
Growth-oriented hedge funds	-	-	76,131,400	76,131,400
Diversifiers	-	-	139,679,000	139,679,000
Private equity and venture capital	-	-	73,663,400	73,663,400
Private hard assets	-	-	2,704,900	2,704,900
Total investments	96,437,700	54,341,200	438,530,600	589,309,500
Total assets reported at fair value	\$ 96,437,700	\$ 54,341,200	\$ 438,530,600	\$ 589,309,500
Liabilities reported at fair value				
Interest rate-swap agreement	\$ -	\$ (7,659,100)	\$ -	\$ (7,659,100)
Total liabilities reported at fair value	\$ -	\$ (7,659,100)	\$ -	\$ (7,659,100)

Council on Foreign Relations, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2021 and 2020

	2020			Total
	Level 1	Level 2	Net Asset Value	
Assets reported at fair value				
Investments:				
Cash and cash equivalents	\$ 15,771,400	\$ -	\$ -	\$ 15,771,400
Long-only equities	56,512,500	-	127,725,900	184,238,400
Deflation hedges	-	57,894,900	-	57,894,900
Growth-oriented hedge funds	-	-	48,884,400	48,884,400
Diversifiers	-	-	143,562,500	143,562,500
Private equity and venture capital	-	-	27,210,200	27,210,200
Private hard assets	-	-	2,394,900	2,394,900
Total investments	72,283,900	57,894,900	349,777,900	479,956,700
Total assets reported at fair value	\$ 72,283,900	\$ 57,894,900	\$ 349,777,900	\$ 479,956,700
Liabilities reported at fair value				
Interest rate-swap agreement	\$ -	\$ (10,918,900)	\$ -	\$ (10,918,900)
Total liabilities reported at fair value	\$ -	\$ (10,918,900)	\$ -	\$ (10,918,900)

Investments in money market funds and corporate equities are valued using quoted market prices in active markets (Level 1). Level 1 instrument valuations are obtained from real-time quotes for transactions in active exchange markets involving identical assets as of the measurement date. Investments in corporate obligations and U.S. government bonds and notes are valued using quoted prices in inactive markets (Level 2). Level 2 valuations are obtained from similar assets or liabilities or model-derived valuations in which all significant inputs are observable or can be derived principally from or corroborated with observable market data.

The fair value of the interest-rate swap agreement is determined using observable market inputs such as current interest rates, credit risk of CFR, and that of its counterparty (Level 2).

Certain of CFR's investments classified as alternative investments are recorded at fair value in an amount equal to the NAV, as reported by the investment managers, of shares of units held by CFR at year-end. Such investments have not been categorized within the fair value hierarchy in accordance with ASU 2015-07. The financial statements of these alternative investments are prepared in accordance with U.S. GAAP and are audited annually by independent auditors.

Council on Foreign Relations, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2021 and 2020

CFR's alternative investment strategies include diversified portfolio allocations across a broad range of equity, debt, derivative, and commodity investments. Redemptions, at NAV, of shares in these investments range from quarterly to annually, generally with ten to ninety days' notice, and typically after the expiration of any defined lock-up period(s).

The following tables summarize CFR's investments valued at NAV:

2021					
Investment Type	# of Funds	Fair Value	Unfunded Commitments	Redemption Terms	Redemption Restrictions
Long-only equities	7	\$ 146,351,900	\$ -	Monthly - 43% Quarterly - 43% Annually - 14%	100% have no Lock-Up 1 Fund has 25% Investor Gate of NAV 2 Funds have 33% Investor Gate of NAV 1 Fund has 0.4% Exit Fee of NAV 3 Funds have no Investor Gate
Growth-oriented hedge funds	8	76,131,400	-	Quarterly - 50% Biennially - 25% Liquidating - 25%	1 Fund has 30-month Lock-Up 1 Fund has 20% Investor Gate of NAV 1 Fund has 33% Investor Gate of NAV 5 Funds have no Investor Gate
Diversifiers	5	139,679,000	-	Quarterly - 40% Semi-Annually - 20% Annually - 40%	1 Fund has 2-year Lock-Up 2 Funds have 25% Investor Gate of NAV 1 Fund has 50% Investor Gate of NAV 1 Fund has 1.75% Exit Fee of NAV
Private equity and venture capital	22	73,663,400	51,157,400	Illiquid	N/A
Private hard assets	3	2,704,900	929,500	Illiquid	N/A
	<u>45</u>	<u>\$ 438,530,600</u>	<u>\$ 52,086,900</u>		

Council on Foreign Relations, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2021 and 2020

Investment Type	# of Funds	Fair Value	2020		
			Unfunded Commitments	Redemption Terms	Redemption Restrictions
Long-only equities	7	\$ 127,725,900	\$ -	Monthly - 43% Quarterly - 43% Annually - 14%	100% have no Lock-Up 1 Fund has 25% Investor Gate of NAV 2 Funds have 33% Investor Gate of NAV 1 Fund has 0.4% Exit Fee of NAV 3 Funds have no Investor Gate
Growth-oriented hedge funds	7	48,884,400	-	Quarterly - 42% Biennially - 29% Liquidating - 29%	1 Fund has 30-month Lock-Up 1 Fund has 20% Investor Gate of NAV 1 Fund has 33% Investor Gate of NAV 4 Funds have no Investor Gate
Diversifiers	5	143,562,500	-	Quarterly - 40% Semi-Annually - 20% Annually - 40%	1 Fund has 2-year Lock-Up 2 Funds have 25% Investor Gate of NAV 1 Fund has 50% Investor Gate of NAV 1 Fund has 1.75% Exit Fee of NAV
Private equity and venture capital	12	27,210,200	10,440,200	Illiquid	N/A
Private hard assets	3	2,394,900	1,119,000	Illiquid	N/A
	<u>34</u>	<u>\$ 349,777,900</u>	<u>\$ 11,559,200</u>		

NOTE 12 - COMMITMENTS

Operating Leases

CFR leases certain equipment under operating lease arrangements.

Future minimum payments for non-cancelable operating leases as of June 30, 2021, are as follows:

<u>Year Ending June 30,</u>	
2022	\$ 60,900
2023	<u>27,100</u>
Total	<u>\$ 88,000</u>

Rent expense under the operating leases described above amounted to \$107,100 and \$117,700 for the years ended June 30, 2021 and 2020, respectively.

Council on Foreign Relations, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2021 and 2020

NOTE 13 - LIQUIDITY AND AVAILABILITY OF FINANCIAL RESOURCES

CFR regularly monitors liquidity required to meet its operating needs. CFR's financial assets available within one year of the statement of financial position date for general expenditure are as follows:

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 49,786,200	\$ 37,195,600
Accounts receivables, net, due within one year	1,955,900	2,117,200
Grants and contributions receivable, due within one year, unrestricted as to use	<u>7,252,500</u>	<u>10,827,400</u>
Total financial assets available within one year	58,994,600	50,140,200
Add: anticipated investment return used for current operations (endowment spending)	<u>24,253,300</u>	<u>23,022,500</u>
Total financial assets available to management	<u>\$ 83,247,900</u>	<u>\$ 73,162,700</u>

Excluded from the detail provided above are all investment amounts pertaining to CFR's endowment fund totaling \$589,309,500 and \$479,956,700 as of June 30, 2021 and 2020, respectively. CFR's endowment fund includes both donor-restricted investments (original gift amount and accumulated gains) and CFR's board-designated endowment (quasi-endowment) (See Note 10 for a detail of CFR's endowment fund). Earnings from donor-restricted endowment funds are unavailable for general use until appropriated for expenditure. The endowment is subject to an annual spending rate of 5%, as further described in Note 2. Although CFR does not intend to spend from its board-designated endowment, other than amounts appropriated for operations annually, as of June 30, 2021 and 2020, CFR had \$143,973,100 and \$120,186,900, respectively, of board-designated endowment funds available to support operations if necessary, following Board approval. Accordingly, the extent of available financial assets as of June 30, 2021 and 2020 only includes an approximation of investment return that will be made available to fund current operations, pursuant to CFR's Board approved endowment spending policy.

As part of CFR's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations become due.