

Financial Statements and Report of
Independent Certified Public
Accountants

Council of Foreign Relations, Inc.

June 30, 2023 and 2022

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

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

Opinion

We have audited the financial statements of Council on Foreign Relations, Inc. ("CFR"), which comprise the statements of financial position as of June 30, 2023 and 2022, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of CFR as of June 30, 2023 and 2022, 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.

Basis for opinion

We conducted our audits of the financial statements in accordance with auditing standards generally accepted in the United States of America (US GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of CFR and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of management for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with US GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud

may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with US GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of CFR's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about CFR's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Grant Thornton LLP

New York, New York
October 27, 2023

Council on Foreign Relations, Inc.

STATEMENTS OF FINANCIAL POSITION

June 30,

	2023	2022
ASSETS		
Cash and cash equivalents (Notes 2 and 13)	\$ 61,270,400	\$ 47,595,400
Accounts receivable, net (Notes 2 and 13)	2,110,200	2,042,000
Prepaid expenses and inventory (Note 2)	1,509,000	1,553,400
Grants and contributions receivable, net (Notes 2 and 4)	19,921,900	8,310,200
Contributions receivable for endowment, net (Notes 2, 4, and 10)	11,644,600	10,071,900
Investments (Notes 2, 3, 11 and 13)	564,417,300	544,085,500
Land, buildings and building improvements, and equipment, net (Notes 2 and 5)	58,834,200	60,512,800
Total assets	\$ 719,707,600	\$ 674,171,200
LIABILITIES		
Accounts payable and accrued expenses (Notes 2, 5, and 6)	\$ 9,100,300	\$ 9,077,500
Deferred revenue (Note 2)	7,296,900	7,283,000
Accrued postretirement benefits (Note 7)	3,780,000	3,713,000
Interest-rate swap agreement (Notes 2, 8, and 11)	571,700	2,604,200
Bonds payable (Note 8)	44,430,000	46,570,000
Total liabilities	65,178,900	69,247,700
Commitments (Note 12)		
Net assets (Note 2)		
Without donor restrictions	142,196,600	135,316,200
With donor restrictions (Notes 9 and 10)	512,332,100	469,607,300
Total net assets	654,528,700	604,923,500
Total liabilities and net assets	\$ 719,707,600	\$ 674,171,200

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

Council on Foreign Relations, Inc.

STATEMENT OF ACTIVITIES

Year ended June 30, 2023

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
Operating revenue and support			
Membership dues	\$ 9,036,200	\$ -	\$ 9,036,200
Annual giving	10,111,000	-	10,111,000
Corporate memberships and related income	6,673,400	153,800	6,827,200
Grants and contributions	1,751,800	33,328,800	35,080,600
Foreign Affairs publications	11,709,500	-	11,709,500
Investment return used for current operations (Note 3)	7,614,500	18,834,700	26,449,200
Rental income	1,977,100	-	1,977,100
Miscellaneous	764,700	-	764,700
Net assets released from restrictions (Note 9)	31,191,800	(31,191,800)	-
Total operating revenue and support	<u>80,830,000</u>	<u>21,125,500</u>	<u>101,955,500</u>
Operating expenses			
Program expenses:			
Studies Program	29,132,500	-	29,132,500
Task Force	587,800	-	587,800
NY meetings	1,809,900	-	1,809,900
DC Programs	1,799,800	-	1,799,800
Special events	459,200	-	459,200
Foreign Affairs publications	13,151,600	-	13,151,600
National Program	1,560,200	-	1,560,200
Outreach Program	2,152,400	-	2,152,400
Term member	643,100	-	643,100
Digital Program	4,112,400	-	4,112,400
Education Program	3,443,100	-	3,443,100
Membership	2,119,600	-	2,119,600
Global Board of Advisors	101,200	-	101,200
Total program expenses	<u>61,072,800</u>	<u>-</u>	<u>61,072,800</u>
Supporting services			
Fundraising:			
Development	3,188,700	-	3,188,700
Corporate Program	2,031,800	-	2,031,800
Total fundraising	<u>5,220,500</u>	<u>-</u>	<u>5,220,500</u>
Management and general	<u>14,088,200</u>	<u>-</u>	<u>14,088,200</u>
Total supporting services	<u>19,308,700</u>	<u>-</u>	<u>19,308,700</u>
Total operating expenses	<u>80,381,500</u>	<u>-</u>	<u>80,381,500</u>
Excess of operating revenue and support over operating expenses	<u>448,500</u>	<u>21,125,500</u>	<u>21,574,000</u>
Nonoperating activities (Note 2)			
Investment gain in excess of spending rate (Notes 2 and 3)	2,021,400	11,829,900	13,851,300
Endowment contributions (Note 4)	2,445,000	9,769,400	12,214,400
Change in value of interest-rate swap agreement (Notes 2 and 8)	2,032,500	-	2,032,500
Postretirement changes other than net periodic and service costs (Note 7)	(67,000)	-	(67,000)
Total nonoperating activities	<u>6,431,900</u>	<u>21,599,300</u>	<u>28,031,200</u>
CHANGES IN NET ASSETS	<u>6,880,400</u>	<u>42,724,800</u>	<u>49,605,200</u>
Net assets, beginning of year	<u>135,316,200</u>	<u>469,607,300</u>	<u>604,923,500</u>
Net assets, end of year	<u>\$ 142,196,600</u>	<u>\$ 512,332,100</u>	<u>\$ 654,528,700</u>

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

Council on Foreign Relations, Inc.

STATEMENT OF ACTIVITIES

Year ended June 30, 2022

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
Operating revenue and support			
Membership dues	\$ 8,365,400	\$ -	\$ 8,365,400
Annual giving	10,680,500	-	10,680,500
Corporate memberships and related income	6,780,700	148,500	6,929,200
Grants and contributions	3,376,100	7,233,400	10,609,500
Foreign Affairs publications	10,797,000	-	10,797,000
Investment return used for current operations (Note 3)	6,930,400	17,209,500	24,139,900
Rental income	1,118,900	-	1,118,900
Miscellaneous	89,200	-	89,200
Net assets released from restrictions (Note 9)	29,136,400	(29,136,400)	-
Total operating revenue and support	<u>77,274,600</u>	<u>(4,545,000)</u>	<u>72,729,600</u>
Operating expenses			
Program expenses:			
Studies Program	24,397,000	-	24,397,000
Task Force	416,200	-	416,200
NY meetings	1,336,700	-	1,336,700
DC Programs	1,448,600	-	1,448,600
Special events	630,700	-	630,700
Foreign Affairs publications	11,426,000	-	11,426,000
National Program	1,300,200	-	1,300,200
Outreach Program	1,732,700	-	1,732,700
Term member	414,000	-	414,000
Digital Content	5,766,300	-	5,766,300
Education Program	4,887,100	-	4,887,100
Membership	1,911,600	-	1,911,600
Global Board of Advisors	28,400	-	28,400
Total program expenses	<u>55,695,500</u>	<u>-</u>	<u>55,695,500</u>
Supporting services			
Fundraising:			
Development	2,274,600	-	2,274,600
Corporate Program	1,800,300	-	1,800,300
Total fundraising	<u>4,074,900</u>	<u>-</u>	<u>4,074,900</u>
Management and general	<u>16,722,100</u>	<u>-</u>	<u>16,722,100</u>
Total supporting services	<u>20,797,000</u>	<u>-</u>	<u>20,797,000</u>
Total operating expenses	<u>76,492,500</u>	<u>-</u>	<u>76,492,500</u>
Excess (deficiency) of operating revenue and support over operating expenses	<u>782,100</u>	<u>(4,545,000)</u>	<u>(3,762,900)</u>
Nonoperating activities (Note 2)			
Investment loss in excess of spending rate (Notes 2 and 3)	(14,613,900)	(40,989,400)	(55,603,300)
Endowment contributions (Note 4)	-	1,616,000	1,616,000
Change in value of interest-rate swap agreement (Notes 2 and 8)	5,054,900	-	5,054,900
Postretirement changes other than net periodic and service costs (Note 7)	1,236,000	-	1,236,000
Total nonoperating activities	<u>(8,323,000)</u>	<u>(39,373,400)</u>	<u>(47,696,400)</u>
CHANGES IN NET ASSETS	<u>(7,540,900)</u>	<u>(43,918,400)</u>	<u>(51,459,300)</u>
Net assets, beginning of year	<u>142,857,100</u>	<u>513,525,700</u>	<u>656,382,800</u>
Net assets, end of year	<u>\$ 135,316,200</u>	<u>\$ 469,607,300</u>	<u>\$ 604,923,500</u>

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

Council on Foreign Relations, Inc.

STATEMENT OF FUNCTIONAL EXPENSES

Year ended June 30, 2023

	Program Services													
	Studies Program	Task Force	NY Meetings	DC Programs	Special Events	Foreign Affairs Publications	National Program	Outreach Program	Term Member	Digital Content	Education Program	Membership	Global Board of Advisors	Total Programs
Salaries and wages	\$ 15,259,600	\$ 240,800	\$ 682,700	\$ 783,100	\$ 180,400	\$ 4,992,300	\$ 544,100	\$ 995,700	\$ 265,100	\$ 2,329,000	\$ 1,571,200	\$ 831,400	\$ 10,100	\$ 28,685,500
Other compensation	2,034,000	25,700	194,700	107,800	25,300	887,500	69,600	210,900	42,900	314,600	296,400	125,500	400	4,335,300
Payroll taxes and employee benefits	4,207,300	70,300	192,400	225,000	53,700	1,467,900	155,200	282,600	76,700	681,500	459,800	234,400	3,300	8,110,100
Meetings	385,500	26,000	450,600	333,600	1,200	36,300	505,600	140,200	159,300	14,100	14,600	18,400	31,500	2,116,900
Printing, publication, and promotion	185,100	53,400	6,600	7,800	13,500	2,460,000	11,800	31,500	7,100	14,900	118,300	254,600	2,600	3,167,200
Research materials	289,200	100	11,800	31,000	-	49,700	9,300	53,100	100	19,200	18,400	39,100	-	521,000
Travel-related expenses	521,200	48,400	25,100	47,700	5,300	71,000	88,600	146,500	47,300	14,800	20,700	7,000	34,500	1,078,100
Administration and finance expenses	364,700	10,000	12,400	25,200	6,300	432,400	9,100	23,700	4,000	44,200	21,600	427,600	-	1,381,200
Interest	706,700	31,500	-	61,200	19,400	-	-	31,600	-	56,400	-	-	-	906,800
Depreciation	953,700	20,200	34,400	39,200	43,300	334,000	22,700	43,000	5,100	156,500	180,100	33,400	7,600	1,873,200
Business expenses	173,400	13,000	14,600	11,100	4,600	296,800	9,800	27,900	1,700	27,000	17,200	20,100	1,700	618,900
Utilities and maintenance	584,900	10,200	24,400	19,900	69,000	120,000	16,100	26,500	3,600	103,400	44,400	23,600	5,400	1,051,400
Professional services	3,135,600	33,600	142,600	87,700	32,100	1,322,400	104,700	112,800	24,400	283,900	537,200	84,000	4,100	5,905,100
Information technology	331,600	4,600	17,600	19,500	5,100	681,300	13,600	26,400	5,800	52,900	143,200	20,500	-	1,322,100
Total expenses	<u>\$ 29,132,500</u>	<u>\$ 587,800</u>	<u>\$ 1,809,900</u>	<u>\$ 1,799,800</u>	<u>\$ 459,200</u>	<u>\$ 13,151,600</u>	<u>\$ 1,560,200</u>	<u>\$ 2,152,400</u>	<u>\$ 643,100</u>	<u>\$ 4,112,400</u>	<u>\$ 3,443,100</u>	<u>\$ 2,119,600</u>	<u>\$ 101,200</u>	<u>\$ 61,072,800</u>

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

Council on Foreign Relations, Inc.

STATEMENT OF FUNCTIONAL EXPENSES - CONTINUED

Year ended June 30, 2023

	Supporting Services				Total Supporting Services	2023 Total
	Total Programs	Development	Corporate Program	Management and General		
Salaries and wages	\$ 28,685,500	\$ 1,605,300	\$ 1,107,700	\$ 5,004,800	\$ 7,717,800	\$ 36,403,300
Other compensation	4,335,300	429,100	127,000	2,297,200	2,853,300	7,188,600
Payroll taxes and employee benefits	8,110,100	494,500	322,800	983,700	1,801,000	9,911,100
Meetings	2,116,900	245,800	90,100	109,600	445,500	2,562,400
Printing, publication, and promotion	3,167,200	21,100	16,400	(12,900)	24,600	3,191,800
Research materials	521,000	34,100	30,900	110,700	175,700	696,700
Travel-related expenses	1,078,100	48,000	42,600	87,400	178,000	1,256,100
Administration and finance expenses	1,381,200	30,000	26,000	493,700	549,700	1,930,900
Interest	906,800	12,800	41,600	767,400	821,800	1,728,600
Depreciation	1,873,200	66,800	54,000	995,700	1,116,500	2,989,700
Business expenses	618,900	24,200	10,600	73,400	108,200	727,100
Utilities and maintenance	1,051,400	45,700	33,000	648,300	727,000	1,778,400
Professional services	5,905,100	109,600	105,100	1,207,500	1,422,200	7,327,300
Information technology	1,322,100	21,700	24,000	1,321,700	1,367,400	2,689,500
Total expenses	\$ 61,072,800	\$ 3,188,700	\$ 2,031,800	\$ 14,088,200	\$ 19,308,700	\$ 80,381,500

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

Council on Foreign Relations, Inc.

STATEMENT OF FUNCTIONAL EXPENSES

Year ended June 30, 2022

	Program Services													
	Studies Program	Task Force	NY Meetings	DC Programs	Special Events	Foreign Affairs Publications	National Program	Outreach Program	Term Member	Digital Program	Education Program	Membership	Global Board of Advisors	Total Programs
Salaries and wages	\$ 12,974,100	\$ 198,900	\$ 623,400	\$ 709,800	\$ 329,600	\$ 3,999,300	\$ 529,100	\$ 804,900	\$ 238,400	\$ 3,234,500	\$ 2,068,300	\$ 721,000	\$ 9,300	\$ 26,440,600
Other compensation	990,100	21,500	71,600	94,700	27,400	582,600	69,500	98,100	24,800	311,000	251,500	86,400	200	2,629,400
Payroll taxes and employee benefits	3,676,200	59,600	187,300	206,400	101,300	1,204,400	158,400	238,600	71,500	968,900	624,200	210,000	3,100	7,709,900
Meetings	79,800	2,100	205,000	116,100	300	3,300	305,500	112,100	33,900	600	300	3,600	-	862,600
Printing, publication, and promotion	132,300	100	6,600	600	11,800	2,353,500	6,000	15,600	100	93,500	293,600	254,900	1,500	3,170,100
Research materials	279,100	-	11,100	28,900	-	47,200	8,500	51,200	100	18,600	17,100	116,300	-	578,100
Travel-related expenses	259,700	4,100	17,300	7,900	2,800	29,200	47,400	134,300	1,100	22,200	8,300	700	-	535,000
Administration and finance expenses	469,100	14,600	10,600	37,600	7,300	413,600	9,200	26,600	4,100	75,500	32,900	346,100	100	1,447,300
Interest	743,200	32,800	-	63,800	20,200	-	-	33,000	-	58,800	-	-	-	951,800
Depreciation	969,900	22,700	31,400	44,000	42,100	319,600	20,700	43,500	4,600	150,400	185,400	30,500	6,900	1,871,700
Business expenses	105,300	400	4,800	3,900	3,900	296,300	6,300	20,300	400	14,800	19,100	10,500	100	486,100
Utilities and maintenance	511,700	8,000	22,700	15,500	39,500	112,100	15,000	23,000	3,300	93,700	41,300	22,000	5,000	912,800
Professional services	2,357,300	38,100	103,800	57,200	24,500	1,196,400	82,400	63,500	12,700	495,900	862,300	47,900	2,200	5,344,200
Information technology	849,200	13,300	41,100	62,200	20,000	868,500	42,200	68,000	19,000	227,900	482,800	61,700	-	2,755,900
Total expenses	<u>\$ 24,397,000</u>	<u>\$ 416,200</u>	<u>\$ 1,336,700</u>	<u>\$ 1,448,600</u>	<u>\$ 630,700</u>	<u>\$ 11,426,000</u>	<u>\$ 1,300,200</u>	<u>\$ 1,732,700</u>	<u>\$ 414,000</u>	<u>\$ 5,766,300</u>	<u>\$ 4,887,100</u>	<u>\$ 1,911,600</u>	<u>\$ 28,400</u>	<u>\$ 55,695,500</u>

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

Council on Foreign Relations, Inc.

STATEMENT OF FUNCTIONAL EXPENSES - CONTINUED

Year ended June 30, 2022

	Supporting Services				Total Supporting Services	2022 Total
	Total Programs	Development	Corporate Program	Management and General		
Salaries and wages	\$ 26,440,600	\$ 1,312,400	\$ 998,900	\$ 4,945,400	\$ 7,256,700	\$ 33,697,300
Other compensation	2,629,400	142,000	105,400	4,882,800	5,130,200	7,759,600
Payroll taxes and employee benefits	7,709,900	413,100	301,200	1,194,600	1,908,900	9,618,800
Meetings	862,600	82,400	57,800	94,200	234,400	1,097,000
Printing, publication, and promotion	3,170,100	22,400	14,700	33,700	70,800	3,240,900
Research materials	578,100	27,400	27,400	100,500	155,300	733,400
Travel-related expenses	535,000	13,400	20,000	36,100	69,500	604,500
Administration and finance expenses	1,447,300	37,800	31,500	602,400	671,700	2,119,000
Interest	951,800	13,300	36,700	799,800	849,800	1,801,600
Depreciation	1,871,700	62,200	50,300	1,412,900	1,525,400	3,397,100
Business expenses	486,100	12,100	5,100	263,600	280,800	766,900
Utilities and maintenance	912,800	41,600	27,000	564,700	633,300	1,546,100
Professional services	5,344,200	49,100	57,000	1,035,500	1,141,600	6,485,800
Information technology	2,755,900	45,400	67,300	755,900	868,600	3,624,500
Total expenses	\$ 55,695,500	\$ 2,274,600	\$ 1,800,300	\$ 16,722,100	\$ 20,797,000	\$ 76,492,500

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,

	2023	2022
Cash flows from operating activities:		
Changes in net assets	\$ 49,605,200	\$ (51,459,300)
Adjustments to reconcile changes in net assets to net cash used in operating activities:		
Depreciation	2,989,700	3,397,100
Change in discount on grants and contributions and contributions for endowment receivables	1,795,200	(159,000)
Change in fair value of interest-rate swap agreement	(2,032,500)	(5,054,900)
Net realized and unrealized loss (gain) on investments	(41,055,400)	32,450,900
Bad debt expense	261,900	144,700
Contributions restricted for investment in endowment	(12,213,900)	(1,616,000)
Changes in operating assets and liabilities:		
Accounts receivable	(330,100)	(230,800)
Prepaid expenses and inventory	44,300	(204,900)
Grants and contributions receivable	(13,406,900)	4,937,200
Accounts payable and accrued expenses	22,800	87,800
Deferred revenue	13,900	1,031,900
Accrued postretirement benefits	67,000	(1,236,000)
	<u>(14,238,800)</u>	<u>(17,911,300)</u>
Net cash used in operating activities		
Cash flows from investing activities:		
Purchases of building improvements and equipment	(1,311,000)	(979,600)
Purchases of investments	(109,845,100)	(137,973,100)
Proceeds from sales of investments	130,568,700	150,745,900
	<u>19,412,600</u>	<u>11,793,200</u>
Net cash provided by investing activities		
Cash flows from financing activities:		
Contributions restricted for investment in endowment	10,641,200	5,987,300
Principal payments on bonds payable	(2,140,000)	(2,060,000)
	<u>8,501,200</u>	<u>3,927,300</u>
Net cash provided by financing activities		
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	13,675,000	(2,190,800)
Cash and cash equivalents, beginning of year	47,595,400	49,786,200
Cash and cash equivalents, end of year	\$ 61,270,400	\$ 47,595,400
Supplemental disclosure of cash flow information:		
Interest paid on bonds	<u>\$ 1,728,600</u>	<u>\$ 1,801,600</u>

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

Council on Foreign Relations, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2023 and 2022

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, 2023 and 2022, CFR determined that an allowance for uncollectible accounts of \$234,700 and \$221,000, 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, 2023 and 2022. 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, 2023 and 2022

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 respective 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. During the year ended June 30, 2023, none of the amounts designated for the fund were appropriated for expenditure.

Council on Foreign Relations, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2023 and 2022

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 (barriers) 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 are recorded as revenue ratably over the period to 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. No deferred rent liability or asset is required to be recorded as of June 30, 2023 and 2022, in accordance with accounting principles generally accepted in the United States (U.S. GAAP).

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 \$9,634,600 and \$8,900,393 for the years ended June 30, 2023 and 2022, respectively, and is recorded at the time each issue is served and

Council on Foreign Relations, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2023 and 2022

advertising revenue, which totaled \$970,300 and \$1,097,599 for the years ended June 30, 2023 and 2022, respectively, 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, postretirement 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, the realizable amounts of 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.

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.

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NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2023 and 2022

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, 2023 and 2022, there is approximately \$57,690,800 and \$45,026,900, 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") 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 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. Given the nature of CFR's leases currently in force, the effect of adoption of ASU 2016-02 is immaterial.

In March 2020, the FASB issued ASU No. 2020-04, *Facilitation of the Effects of Reference Rate Reform on Financial Reporting* ("ASU 2020-04"). ASU 2020-04 provides optional expedients and exceptions for applying U.S. GAAP to contracts and other transactions that reference the London Interbank Offered Rate ("LIBOR") or another reference rate expected to be discontinued as a result of reference rate reform. The provisions of ASU No. 2020-04 are effective for certain reference rate-related contract modifications that occur during the period March 12, 2020 through December 31, 2022. In December 2022, the FASB issued ASU No. 2022-06, *Deferral of the Sunset Date of Topic 848*, which deferred the sunset date from December 31, 2022 to December 31, 2024. CFR is currently evaluating the impact of applying ASU 2020-04.

Reclassification

CFR reclassified membership expenses to be included as a component of program expenses on the accompanying 2022 statement of activities to align with the 2023 presentation. The effect of this reclassification did not change total net assets, revenues, or expenses as previously reported in the 2022 financial statements.

Subsequent Events

CFR evaluated, for potential recognition and disclosure, events subsequent to the date of its financial statements through October 27, 2023, 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 accompanying financial statements.

Council on Foreign Relations, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2023 and 2022

NOTE 3 - INVESTMENTS

The components of CFR's investment portfolio as of June 30, 2023 and 2022, are as follows:

	2023	2022
Cash and cash equivalents	\$ 23,306,200	\$ 22,486,200
Long-only equities	181,527,400	157,557,300
Deflation hedges	55,195,200	53,892,300
Subtotal	260,028,800	233,935,800
Alternative investments:		
Growth-oriented hedge funds	64,759,600	57,223,100
Diversifiers	118,630,400	147,245,600
Private equity and venture capital	117,772,800	102,427,500
Private hard assets	3,225,700	3,253,500
Subtotal	304,388,500	310,149,700
Total	\$ 564,417,300	\$ 544,085,500

Included in the investment amounts above is a pending investment redemption request totaling \$5.5 million that CFR submitted as of June 30, 2023. The investment redemption settled subsequent to year-end, and as of June 30, 2023, is reflected in the investment category that it 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, 2023 and 2022:

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

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NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2023 and 2022

- 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, 2023 and 2022, CFR has unfunded commitments to limited partnerships totaling approximately \$68.3 million and \$61.6 million, respectively, and intends to sell a portion of its other investments to fund these commitments. Such purchase commitments as of June 30, 2023 are expected to be satisfied by fiscal year 2028.

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, 2023 and 2022:

	2023		Total
	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	
Dividends and interest	\$ 599,400	\$ 1,905,300	\$ 2,504,700
Realized gains	4,096,900	13,083,000	17,179,900
Unrealized gains	5,731,500	18,144,000	23,875,500
Net realized and unrealized gains	9,828,400	31,227,000	41,055,400
Total gain on investments	10,427,800	33,132,300	43,560,100
Investment return used for current operations	(7,614,500)	(18,834,700)	(26,449,200)
Investment expenses	(791,900)	(2,467,700)	(3,259,600)
Investment gain in excess of spending rate and expenses	<u>\$ 2,021,400</u>	<u>\$ 11,829,900</u>	<u>\$ 13,851,300</u>

Council on Foreign Relations, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2023 and 2022

	2022		
	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
Dividends and interest	\$ 1,025,300	\$ 3,173,500	\$ 4,198,800
Realized gains	11,924,600	36,906,600	48,831,200
Unrealized losses	(19,849,100)	(61,433,000)	(81,282,100)
Net realized and unrealized losses	(7,924,500)	(24,526,400)	(32,450,900)
Total losses on investments	(6,899,200)	(21,352,900)	(28,252,100)
Investment return used for current operations	(6,930,400)	(17,209,500)	(24,139,900)
Investment expenses	(784,300)	(2,427,000)	(3,211,300)
Investment losses in excess of spending rate and expenses	\$ (14,613,900)	\$ (40,989,400)	\$ (55,603,300)

Council on Foreign Relations, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2023 and 2022

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, 2023 and 2022, are due to be collected as follows:

	2023	2022
Amounts due in less than one year:		
Grants and contributions receivable	\$ 6,639,400	\$ 5,335,600
Contributions receivable for endowment	5,527,700	5,371,400
Total	12,167,100	10,707,000
Amounts due in one to five years:		
Grants and contributions receivable	12,758,900	3,087,300
Contributions receivable for endowment	6,610,000	4,762,000
Total	19,368,900	7,849,300
Amounts due in greater than five years:		
Grants and contributions receivable	2,000,000	-
Contributions receivable for endowment	-	-
Total	2,000,000	-
Gross receivables	33,536,000	18,556,300
Less: discount (at rates varying from 0.18% to 4.87%)	(1,969,500)	(174,200)
Total receivables, net	\$ 31,566,500	\$ 18,382,100

Endowment contributions receivable, net of discount, totaled \$11,664,600 and \$10,071,900 as of June 30, 2023 and 2022, respectively. CFR also has been named as a beneficiary of various wills and trusts as of June 30, 2023 and 2022. 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

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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, 2023 and 2022, are summarized as follows:

	2023	2022	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)	38,390,400	37,855,700	3 - 55 years
Building and building improvements (Washington, D.C.)	54,151,400	54,037,300	3 - 55 years
Equipment (New York)	18,892,100	19,283,400	3 - 15 years
Equipment (Washington, D.C.)	5,160,700	5,272,200	3 - 15 years
Construction in progress	826,000	355,600	
Total	124,672,600	124,056,200	
Less: accumulated depreciation	(65,838,400)	(63,543,400)	
Total net	\$ 58,834,200	\$ 60,512,800	

Construction in progress predominately consists of project costs related to roof restoration for building #58 and #56, entrance door, event room panic devices and Rockefeller room & library AV. Substantially all projects are expected to be completed by December 2023, and the estimated costs remaining to complete these projects is approximately \$1,291,600.

Depreciation expense amounted to \$2,989,700 and \$3,397,100 for the years ended June 30, 2023 and 2022, 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 \$2,306,500 and \$2,228,300 for the years ended June 30, 2023 and 2022, 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.

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,

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NOTES TO FINANCIAL STATEMENTS - CONTINUED

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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:

	2023	2022
Change in benefit obligation		
Benefit obligation, beginning of year	\$ 3,713,000	\$ 4,949,000
Interest cost	155,000	118,000
Actuarial net loss (gain)	176,000	(1,063,000)
Benefits paid	(264,000)	(291,000)
Benefit obligation, end of year	\$ 3,780,000	\$ 3,713,000

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 4.86% and 4.32% as of June 30, 2023 and 2022, respectively.

During fiscal 2022, the mortality assumption was updated from the RPEC-2006 White Collar Mortality Table projected generationally with scale MP-2020 to the RPEC-2006 White Collar Mortality Table projected generationally with scale MP-2021. The update in the mortality table resulted in an actuarial loss of \$176,000 for the year ended June 30, 2023.

The net periodic benefit obligations and the components of benefit cost for the years ended June 30, 2023 and 2022, are as follows:

	2023	2022
Interest cost	\$ 155,000	\$ 118,000
Amortization of net loss	22,000	121,000
Amortization of prior service credit	-	(3,000)
Net periodic cost included in operating expenses	\$ 177,000	\$ 236,000

The net periodic pension cost for the years ended 2023 and 2022 includes reclassifications of amounts previously recognized as part of changes in net assets without donor restrictions as follows:

	2023	2022
Amortization of net loss	\$ 22,000	\$ 121,000
Amortization of prior service credit	-	(3,000)

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NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2023 and 2022

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:

	2023	2022
Net actuarial loss	\$ 762,000	\$ 608,000
Prior service credit	-	-
	\$ 762,000	\$ 608,000

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

	2023	2022
Health-care cost trend rate assumed for next year	6.0%	5.8%
Rate to which the cost trend rate is assumed to decline	4.5%	4.5%
Year that the rate reaches the ultimate trend rate	2039	2032

Amounts in net assets without donor restrictions expected to be recognized as components of net periodic benefit cost during fiscal year 2024 are as follows:

Net actuarial loss	\$ 35,000
Prior service credit	-

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

2024	\$ 268,000
2025	295,000
2026	299,000
2027	301,000
2028	297,000
2029-2033	1,401,000

NOTE 8 - BONDS PAYABLE

Bonds payable amounted to \$44,430,000 and \$46,570,000 as of June 30, 2023 and 2022, 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 London Interbank Offered Rate ("LIBOR") plus 1%, which is

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June 30, 2023 and 2022

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, 2023 and 2022, the index rate ranged between 4.7% and 0.72%. The LIBOR index rate mode began September 4, 2012 (the “Conversion Date”), and ranged from 4.0% to 1.37% during each of the years ended June 30, 2023 and 2022. Interest expense on the bonds totaled \$1,728,600 and \$413,400 for the years ended June 30, 2023 and 2022, 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, further discussed below.

Principal payments are as follows for years subsequent to June 30, 2023:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Refinance Fees</u>	<u>Total</u>
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
2027	2,505,000	(10,360)	2,494,640
2028	2,605,000	(10,360)	2,594,640
Thereafter	32,545,000	(123,200)	32,421,800
Total	<u>\$ 44,605,000</u>	<u>\$ (175,000)</u>	<u>\$ 44,430,000</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 3.137%. 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 3.086%. The notional amount, per the novated swap agreement, is \$44,430,000 and \$46,570,000 as of June 30, 2023 and 2022, respectively, and is amortized annually until the termination date on August 1, 2037. The fair value of the swap agreement as of June 30, 2023 and 2022, is a liability of \$571,700 and \$2,604,200, respectively. Net settlement transactions related to the swap agreement resulted in a net loss to CFR totaling \$1,384,100 and \$1,388,300 for the years ended June 30, 2023 and 2022, respectively.

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NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2023 and 2022

As of and for the years ended June 30, 2023 and 2022, amounts included within the accompanying financial statements relating to the interest-rate swap agreement are as follows:

2023				
Fair Value at June 30, 2023	Statement of Financial Position Location	Change in Value of Interest-Rate Swap Agreement for the Year Ended June 30, 2023	Statement of Activities Location	Level Within Fair Value Hierarchy
\$ 571,700	Interest-rate swap agreement (liabilities)	\$ (2,032,500)	Change in value of interest-rate swap agreement	Level 2
2022				
Fair Value at June 30, 2022	Statement of Financial Position Location	Change in Value of Interest-Rate Swap Agreement for the Year Ended June 30, 2022	Statement of Activities Location	Level Within Fair Value Hierarchy
\$ 2,604,200	Interest-rate swap agreement (liabilities)	\$ (5,054,900)	Change in value of interest-rate swap agreement	Level 2

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 2023 and 2022 and is now January 31, 2024. No amounts were outstanding under the line of credit as of June 30, 2023 and 2022.

NOTE 9 - NET ASSETS WITH DONOR RESTRICTIONS

Donor-restricted net assets as of June 30, 2023 and 2022, which are subject to expenditure for specified purposes, are as follows:

	2023	2022
Studies Program	\$ 46,438,700	\$ 45,671,400
NY meetings	2,168,900	2,226,200
Term member	871,200	1,164,500
<i>Foreign Affairs</i> publications	1,090,300	1,057,100
National Program	407,800	649,400
Education Program	26,983,500	5,428,600
Capital	542,800	542,800
Various other programs/operating purposes	161,642,100	150,449,900
Total	<u>\$ 240,145,300</u>	<u>\$ 207,189,900</u>

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NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2023 and 2022

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, 2023 and 2022, as follows:

	2023	2022
Studies Program	\$ 12,336,000	\$ 11,164,200
NY meetings	611,600	554,300
Term member	293,300	170,900
<i>Foreign Affairs</i> publications	228,900	225,300
National Program	371,100	275,600
Outreach Program	71,200	194,400
Digital Services	1,197,800	-
Education Program	2,319,000	3,858,600
Capital	-	259,900
Various other programs/operating programs	13,762,900	12,433,200
Total	\$ 31,191,800	\$ 29,136,400

Restricted net assets comprising CFR's permanent endowment as of June 30, 2023 and 2022, the income from which is subject to CFR's spending policy and Board appropriation, consist of the following:

	2023	2022
Studies Program	\$ 101,414,700	\$ 101,414,700
NY meetings	11,215,800	11,214,800
National Program	3,900,000	3,100,000
Library	156,700	156,700
<i>Foreign Affairs</i> publications	12,620,200	2,620,200
Term member	2,500,000	2,500,000
Investment management	3,731,000	3,731,000
Various other programs/operating purposes	136,648,400	137,680,000
Total	\$ 272,186,800	\$ 262,417,400

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

Council on Foreign Relations, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2023 and 2022

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.

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.

Council on Foreign Relations, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2023 and 2022

Changes in endowment investments for the years ended June 30, 2023 and 2022, follow:

2023	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions		Total Funds 2023
		Spendable	Corpus	
Board-designated/quasi-endowment	\$ 134,057,200	\$ -	\$ -	\$ 134,057,200
Donor-restricted endowment:				
Underwater	-	-	-	-
Other	-	169,817,000	260,543,100	430,360,100
Total endowment funds	<u>\$ 134,057,200</u>	<u>\$ 169,817,000</u>	<u>\$ 260,543,100</u>	<u>\$ 564,417,300</u>
Endowment net assets, beginning of year	\$ 133,751,500	\$ 157,987,100	\$ 252,346,900	\$ 544,085,500
Investment activity	9,651,500	30,664,600	-	40,316,100
Contributions/cash collected on endowment multi-year pledges	2,445,000	-	8,196,200	10,641,200
Amounts appropriated for expenditure*	<u>(11,790,800)</u>	<u>(18,834,700)</u>	<u>-</u>	<u>(30,625,500)</u>
Total endowment activity	<u>305,700</u>	<u>11,829,900</u>	<u>8,196,200</u>	<u>20,331,800</u>
Endowment net assets, end of year	<u>\$ 134,057,200</u>	<u>\$ 169,817,000</u>	<u>\$ 260,543,100</u>	<u>\$ 564,417,300</u>

*The total amount appropriated for fiscal 2023 operations in the table above differs from the statement of activities by approximately \$4,000,000 which represents the final amount drawn from the endowment in support of 2022 operations. This amount was liquidated from the endowment pool investment balance in fiscal 2023.

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NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2023 and 2022

2022	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions		Total Funds 2022
		Spendable	Corpus	
Board-designated/quasi-endowment	\$ 133,751,500	\$ -	\$ -	\$ 133,751,500
Donor-restricted endowment:				
Underwater	-	-	-	-
Other	-	157,987,100	252,346,900	410,334,000
Total endowment funds	<u>\$ 133,751,500</u>	<u>\$ 157,987,100</u>	<u>\$ 252,346,900</u>	<u>\$ 544,085,500</u>
Endowment net assets, beginning of year	\$ 143,973,100	\$ 198,976,800	\$ 246,359,600	\$ 589,309,500
Investment activity	(7,683,500)	(23,780,200)	-	(31,463,700)
Contributions/cash collected on endowment multi-year pledges	-	-	5,987,300	5,987,300
Amounts appropriated for expenditure*	(2,538,100)	(17,209,500)	-	(19,747,600)
Total endowment activity	<u>(10,221,600)</u>	<u>(40,989,700)</u>	<u>5,987,300</u>	<u>(45,224,000)</u>
Endowment net assets, end of year	<u>\$ 133,751,500</u>	<u>\$ 157,987,100</u>	<u>\$ 252,346,900</u>	<u>\$ 544,085,500</u>

*The total amount appropriated for fiscal 2022 operations in the table above differs from the statement of activities by approximately \$4,000,000 which represents the final amount to be drawn from the endowment in support of 2022 operations. This remaining amount was liquidated from the endowment pool investment balance in fiscal 2023.

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

Endowment investments of \$564,417,300 and \$544,085,500 are included within investments on the accompanying statements of financial position as of June 30, 2023 and 2022, respectively. In addition, CFR recorded endowment receivables of \$11,644,600 and \$10,071,900 as of June 30, 2023 and 2022, 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.

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-

Council on Foreign Relations, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2023 and 2022

restricted endowment fund falls below the amount that is required to be maintained by law or donor restriction. As of June 30, 2023 and 2022, 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, 2023 and 2022

Financial assets and liabilities reported at fair value on the accompanying financial statements, excluding pending purchases and redemptions, as of June 30, 2023 and 2022, are classified in the leveling hierarchy described above as follows:

	2023			Total
	Level 1	Level 2	Net Asset Value	
Assets reported at fair value				
Investments:				
Cash and cash equivalents	\$ 23,306,200	\$ -	\$ -	\$ 23,306,200
Long-only equities	44,733,800	-	136,793,600	181,527,400
Deflation hedges	-	55,195,200	-	55,195,200
Growth-oriented hedge funds	-	-	64,759,600	64,759,600
Diversifiers	-	-	118,630,400	118,630,400
Private equity and venture capital	-	-	117,772,800	117,772,800
Private hard assets	-	-	3,225,700	3,225,700
Total investments	<u>68,040,000</u>	<u>55,195,200</u>	<u>441,182,100</u>	<u>564,417,300</u>
Total assets reported at fair value	<u>\$ 68,040,000</u>	<u>\$ 55,195,200</u>	<u>\$ 441,182,100</u>	<u>\$ 564,417,300</u>
Liabilities reported at fair value				
Interest-rate swap agreement	\$ -	\$ (571,700)	\$ -	\$ (571,700)
Total liabilities reported at fair value	<u>\$ -</u>	<u>\$ (571,700)</u>	<u>\$ -</u>	<u>\$ (571,700)</u>

Council on Foreign Relations, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2023 and 2022

	2022			
	Level 1	Level 2	Net Asset Value	Total
Assets reported at fair value				
Investments:				
Cash and cash equivalents	\$ 22,486,200	\$ -	\$ -	\$ 22,486,200
Long-only equities	52,692,600	-	104,864,700	157,557,300
Deflation hedges	-	53,892,300	-	53,892,300
Growth-oriented hedge funds	-	-	57,223,100	57,223,100
Diversifiers	-	-	147,245,600	147,245,600
Private equity and venture capital	-	-	102,427,500	102,427,500
Private hard assets	-	-	3,253,500	3,253,500
Total investments	75,178,800	53,892,300	415,014,400	544,085,500
Total assets reported at fair value	\$ 75,178,800	\$ 53,892,300	\$ 415,014,400	\$ 544,085,500
Liabilities reported at fair value				
Interest-rate swap agreement	\$ -	\$ (2,604,200)	\$ -	\$ (2,604,200)
Total liabilities reported at fair value	\$ -	\$ (2,604,200)	\$ -	\$ (2,604,200)

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.

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NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2023 and 2022

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:

	2023				
Investment Type	# of Funds	Fair Value	Unfunded Commitments	Redemption Terms	Redemption Restrictions
Long-only equities	8	\$ 136,793,600	\$ -	Monthly - 50% Quarterly - 38% Annually - 12%	100% have no Lock-Up 2 funds have 25% Investor Gate of NAV 2 funds have 33% Investor Gate of NAV 4 funds have no Investor Gate
Growth-oriented hedge funds	6	64,759,600	4,000,000	Quarterly - 50% Biennially - 17% Liquidating - 33%	2 funds have 12.5% Investor Gate of NAV 1 fund has 33% Investor Gate of NAV 3 funds have no Investor Gate
Diversifiers	3	118,630,400	-	Quarterly - 34% Semi-Annually - 33% Annually - 33%	1 fund has 25% Investor Gate of NAV 2 funds have 50% Investor Gate of NAV
Private equity and venture capital	27	117,772,800	63,780,000	Illiquid	N/A
Private hard assets	3	3,225,700	542,100	Illiquid	N/A
	<u>47</u>	<u>\$ 441,182,100</u>	<u>\$ 68,322,100</u>		

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NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2023 and 2022

Investment Type	# of Funds	Fair Value	2022		
			Unfunded Commitments	Redemption Terms	Redemption Restrictions
Long-only equities	5	\$ 104,864,700	\$ -	Monthly - 40% Quarterly - 60%	100% have no Lock-Up 2 funds have 25% Investor Gate of NAV 2 funds have 33% Investor Gate of NAV 1 fund has no Investor Gate
Growth-oriented hedge funds	7	57,223,100	5,920,000	Quarterly - 43% Biennially - 29% Liquidating - 14% Semi-Annually - 14%	1 fund has 6-month Lock-Up 1 fund has 12.5% Investor Gate of NAV 1 fund has 33% Investor Gate of NAV 5 funds have no Investor Gate 1 fund has 33% Investor Gate of NAV 5 funds have no Investor Gate
Diversifiers	4	147,245,600	-	Quarterly - 25% Semi-Annually - 25% Annually - 25% Liquidating - 25%	1 fund has 25% Investor Gate of NAV 1 fund has 50% Investor Gate of NAV 2 funds have no Investor Gate
Private equity and venture capital	26	102,427,500	54,929,600	Illiquid	N/A
Private hard assets	3	3,253,500	747,300	Illiquid	N/A
	<u>45</u>	<u>\$ 415,014,400</u>	<u>\$ 61,596,900</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, 2023, are as follows:

<u>Year Ending June 30,</u>	
2024	\$ 79,900
2025	<u>51,900</u>
Total	<u>\$ 131,800</u>

Rent expense under the operating leases described above amounted to \$131,800 and \$96,700 for the years ended June 30, 2023 and 2022, respectively.

Council on Foreign Relations, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2023 and 2022

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:

	2023	2022
Cash and cash equivalents	\$ 61,270,400	\$ 47,595,400
Accounts receivables, net, due within one year	2,110,200	2,042,000
Grants and contributions receivable, due within one year, unrestricted as to use	6,639,400	5,335,600
Total financial assets available within one year	70,020,000	54,973,000
Add: anticipated investment return used for current operations (endowment spending)	26,103,600	26,426,400
Total financial assets available to management	\$ 96,123,600	\$ 81,399,400

Excluded from the detail provided above are all investment amounts pertaining to CFR's endowment fund totaling \$564,417,300 and \$544,085,500 as of June 30, 2023 and 2022, 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, 2023 and 2022, CFR had \$134,057,200 and \$133,751,500, 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, 2023 and 2022 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.