

Financial Statements and Supplementary
Information Together with
Report of Independent Certified Public Accountants

COUNCIL ON FOREIGN RELATIONS, INC.

June 30, 2016 and 2015

COUNCIL ON FOREIGN RELATIONS, INC.

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

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

We have audited the accompanying financial statements of the Council on Foreign Relations, Inc. (“CFR”), which comprise the statements of financial position as of June 30, 2016 and 2015, and the related statements of activities 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.

Auditors’ 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 CFR’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 CFR’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 the Council on Foreign Relations, Inc. as of June 30, 2016 and 2015, 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.

Supplementary Information

Our audits were conducted for the purposes of forming an opinion on the basic financial statements of CFR as of and for the years ended June 30, 2016 and 2015, taken as a whole. The supplementary information included on pages 30 to 31 is presented for purposes of additional analysis and is not a required part of the financial statements. Such supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the 2016 and 2015 financial statements and certain additional procedures. These additional procedures included comparing and reconciling the information directly to the underlying accounting and other records used to prepare the 2016 and 2015 financial statements or to the 2016 and 2015 financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the 2016 and 2015 financial statements as a whole.

A handwritten signature in black ink that reads "Grant Thornton LLP". The signature is written in a cursive, flowing style.

New York, New York
October 12, 2016

COUNCIL ON FOREIGN RELATIONS, INC.
Statements of Financial Position
As of June 30, 2016 and 2015

| Assets | 2016 | 2015 |
|---|------------------------------|------------------------------|
| Cash and cash equivalents <i>(Notes 2 and 13)</i> | \$ 33,170,700 | \$ 25,363,300 |
| Accounts receivable, net <i>(Note 2)</i> | 1,864,400 | 2,850,600 |
| Prepaid expenses <i>(Note 2)</i> | 785,600 | 530,300 |
| Grants and contributions receivable, net <i>(Notes 2 and 4)</i> | 24,201,000 | 17,790,800 |
| Contributions receivable for endowment, net <i>(Notes 2 and 4)</i> | 18,901,200 | 9,406,800 |
| Inventory <i>(Note 2)</i> | 190,300 | 142,300 |
| Investments <i>(Notes 2, 3, and 11)</i> | 354,033,000 | 341,346,500 |
| Pending investment purchases <i>(Note 3)</i> | - | 30,000,000 |
| Land, buildings and building improvements, and equipment, net <i>(Notes 2 and 5)</i> | <u>74,425,100</u> | <u>74,623,100</u> |
| Total assets | <u>\$ 507,571,300</u> | <u>\$ 502,053,700</u> |
| Liabilities | | |
| Accounts payable and accrued expenses <i>(Notes 2, 5, and 6)</i> | \$ 7,850,800 | \$ 7,113,000 |
| Deferred revenue <i>(Note 2)</i> | 4,828,200 | 4,789,200 |
| Accrued postretirement benefits <i>(Note 7)</i> | 6,216,000 | 6,048,000 |
| Interest-rate swap agreement <i>(Notes 2, 8, and 11)</i> | 9,649,500 | 7,826,100 |
| Bonds payable <i>(Note 8)</i> | <u>57,975,000</u> | <u>59,605,000</u> |
| Total liabilities | <u>86,519,500</u> | <u>85,381,300</u> |
| Commitments <i>(Note 12)</i> | | |
| Net assets <i>(Note 2)</i> | | |
| Unrestricted | 61,216,300 | 69,006,500 |
| Temporarily restricted <i>(Note 9)</i> | 161,653,900 | 168,138,000 |
| Permanently restricted <i>(Notes 9 and 10)</i> | <u>198,181,600</u> | <u>179,527,900</u> |
| Total net assets | <u>421,051,800</u> | <u>416,672,400</u> |
| Total liabilities and net assets | <u>\$ 507,571,300</u> | <u>\$ 502,053,700</u> |

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, 2016

| | <u>Unrestricted</u> | <u>Restricted</u> | <u>Restricted</u> | <u>Total</u> |
|--|----------------------|-----------------------|-----------------------|-----------------------|
| Operating revenue and support | | | | |
| Membership dues | \$ 6,484,200 | \$ - | \$ - | \$ 6,484,200 |
| Annual giving | 9,743,500 | - | - | 9,743,500 |
| Corporate memberships and related income | 6,571,000 | 201,000 | - | 6,772,000 |
| Grants and contributions | 1,159,000 | 30,425,900 | - | 31,584,900 |
| <i>Foreign Affairs</i> publications | 8,690,700 | - | - | 8,690,700 |
| Investment return used for current operations (Note 3) | 4,154,200 | 13,229,100 | - | 17,383,300 |
| Rental income | 2,006,800 | - | - | 2,006,800 |
| Miscellaneous | 244,700 | - | - | 244,700 |
| Net assets released from restrictions (Note 9) | 29,995,500 | (29,995,500) | - | - |
| Total operating revenue and support | <u>69,049,600</u> | <u>13,860,500</u> | <u>-</u> | <u>82,910,100</u> |
| Operating expenses | | | | |
| Program expenses: | | | | |
| Studies Program | 26,557,300 | - | - | 26,557,300 |
| Task Force | 385,500 | - | - | 385,500 |
| NY meetings | 1,697,600 | - | - | 1,697,600 |
| DC programs | 1,891,400 | - | - | 1,891,400 |
| Special events | 1,177,000 | - | - | 1,177,000 |
| <i>Foreign Affairs</i> | 11,175,200 | - | - | 11,175,200 |
| National Program | 1,339,400 | - | - | 1,339,400 |
| Outreach Program | 1,556,700 | - | - | 1,556,700 |
| Term member | 355,100 | - | - | 355,100 |
| Digital Program | 3,167,500 | - | - | 3,167,500 |
| Education Program | 2,257,000 | - | - | 2,257,000 |
| Global Board of Advisors | 84,300 | - | - | 84,300 |
| Total program expenses | <u>51,644,000</u> | <u>-</u> | <u>-</u> | <u>51,644,000</u> |
| Supporting services | | | | |
| Fundraising: | | | | |
| Development | 2,295,500 | - | - | 2,295,500 |
| Corporate Program | 2,150,400 | - | - | 2,150,400 |
| Total fundraising | 4,445,900 | - | - | 4,445,900 |
| Management and general | 11,275,100 | - | - | 11,275,100 |
| Membership | 1,463,300 | - | - | 1,463,300 |
| Total supporting services | <u>17,184,300</u> | <u>-</u> | <u>-</u> | <u>17,184,300</u> |
| Total operating expenses | <u>68,828,300</u> | <u>-</u> | <u>-</u> | <u>68,828,300</u> |
| Excess of operating revenue and support over operating expenses | <u>221,300</u> | <u>13,860,500</u> | <u>-</u> | <u>14,081,800</u> |
| Nonoperating revenue (loss) (Note 2) | | | | |
| Investment loss in excess of spending rate (Notes 2 and 3) | (6,132,100) | (20,344,600) | - | (26,476,700) |
| Endowment contributions (Note 4) | - | - | 19,653,700 | 19,653,700 |
| Change in value of interest rate swap agreement (Notes 2 and 8) | (1,823,400) | - | - | (1,823,400) |
| Reversal of contribution receivable for endowment | - | - | (1,000,000) | (1,000,000) |
| Total nonoperating (loss) revenue | <u>(7,955,500)</u> | <u>(20,344,600)</u> | <u>18,653,700</u> | <u>(9,646,400)</u> |
| Changes in net assets before postretirement changes other than net periodic costs (Note 7) | (7,734,200) | (6,484,100) | 18,653,700 | 4,435,400 |
| Postretirement changes other than net periodic costs | (56,000) | - | - | (56,000) |
| Changes in net assets | <u>(7,790,200)</u> | <u>(6,484,100)</u> | <u>18,653,700</u> | <u>4,379,400</u> |
| Net assets, beginning of year | <u>69,006,500</u> | <u>168,138,000</u> | <u>179,527,900</u> | <u>416,672,400</u> |
| Net assets, end of year | <u>\$ 61,216,300</u> | <u>\$ 161,653,900</u> | <u>\$ 198,181,600</u> | <u>\$ 421,051,800</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, 2015

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Permanently Restricted</u> | <u>Total</u> |
|---|----------------------|-----------------------------------|-----------------------------------|-----------------------|
| Operating revenue and support | | | | |
| Membership dues | \$ 6,263,900 | \$ - | \$ - | \$ 6,263,900 |
| Annual giving | 9,651,200 | - | - | 9,651,200 |
| Corporate memberships and related income | 6,543,300 | 241,000 | - | 6,784,300 |
| Grants and contributions | 1,446,100 | 15,989,600 | - | 17,435,700 |
| <i>Foreign Affairs</i> publications | 8,839,000 | - | - | 8,839,000 |
| Investment return used for current operations (<i>Note 3</i>) | 3,913,900 | 12,151,100 | - | 16,065,000 |
| Rental income | 2,072,000 | - | - | 2,072,000 |
| Miscellaneous | 467,800 | - | - | 467,800 |
| Net assets released from restrictions (<i>Note 9</i>) | 25,145,700 | (25,145,700) | - | - |
| Total operating revenue and support | <u>64,342,900</u> | <u>3,236,000</u> | <u>-</u> | <u>67,578,900</u> |
| Operating expenses | | | | |
| Program expenses: | | | | |
| Studies Program | 24,207,700 | - | - | 24,207,700 |
| Task Force | 490,800 | - | - | 490,800 |
| NY meetings | 1,358,300 | - | - | 1,358,300 |
| DC programs | 2,144,700 | - | - | 2,144,700 |
| Special events | 1,134,300 | - | - | 1,134,300 |
| <i>Foreign Affairs</i> | 10,079,900 | - | - | 10,079,900 |
| National Program | 1,157,000 | - | - | 1,157,000 |
| Outreach Program | 1,507,600 | - | - | 1,507,600 |
| Term member | 310,800 | - | - | 310,800 |
| Digital Program | 2,481,300 | - | - | 2,481,300 |
| Education Program | 1,602,600 | - | - | 1,602,600 |
| Global Board of Advisors | 90,000 | - | - | 90,000 |
| Total program expenses | <u>46,565,000</u> | <u>-</u> | <u>-</u> | <u>46,565,000</u> |
| Supporting services | | | | |
| Fundraising: | | | | |
| Development | 2,268,600 | - | - | 2,268,600 |
| Corporate Program | 2,040,200 | - | - | 2,040,200 |
| Total fundraising | 4,308,800 | - | - | 4,308,800 |
| Management and general | 11,512,300 | - | - | 11,512,300 |
| Membership | 1,198,400 | - | - | 1,198,400 |
| Total supporting services | <u>17,019,500</u> | <u>-</u> | <u>-</u> | <u>17,019,500</u> |
| Total operating expenses | <u>63,584,500</u> | <u>-</u> | <u>-</u> | <u>63,584,500</u> |
| Excess of operating revenue and support over operating expenses | <u>758,400</u> | <u>3,236,000</u> | <u>-</u> | <u>3,994,400</u> |
| Nonoperating revenue (loss) (<i>Note 2</i>) | | | | |
| Investment loss in excess of spending rate (<i>Notes 2 and 3</i>) | (1,726,000) | (4,437,000) | - | (6,163,000) |
| Endowment contributions (<i>Note 4</i>) | - | - | 11,261,900 | 11,261,900 |
| Change in value of interest rate swap agreement (<i>Notes 2 and 8</i>) | (215,600) | - | - | (215,600) |
| Gain on sale of property | 2,392,400 | - | - | 2,392,400 |
| Write-off of grant receivable pertaining to terminated program | - | (879,700) | - | (879,700) |
| Total nonoperating revenue (loss) | <u>450,800</u> | <u>(5,316,700)</u> | <u>11,261,900</u> | <u>6,396,000</u> |
| Changes in net assets before postretirement changes other than net periodic costs (<i>Note 7</i>) | 1,209,200 | (2,080,700) | 11,261,900 | 10,390,400 |
| Postretirement changes other than net periodic costs | (594,000) | - | - | (594,000) |
| Changes in net assets | 615,200 | (2,080,700) | 11,261,900 | 9,796,400 |
| Net assets, beginning of year | <u>68,391,300</u> | <u>170,218,700</u> | <u>168,266,000</u> | <u>406,876,000</u> |
| Net assets, end of year | <u>\$ 69,006,500</u> | <u>\$ 168,138,000</u> | <u>\$ 179,527,900</u> | <u>\$ 416,672,400</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, 2016 and 2015

| | <u>2016</u> | <u>2015</u> |
|---|----------------------|----------------------|
| Cash flows from operating activities: | | |
| Changes in net assets | \$ 4,379,400 | \$ 9,796,400 |
| Adjustments to reconcile changes in net assets to net cash used in operating activities: | | |
| Depreciation | 3,859,100 | 3,135,600 |
| Change in discount on grants and contributions and contributions for endowment receivable | 121,600 | 395,400 |
| Gain on sale of property | - | (2,392,400) |
| Change in fair value of interest rate swap agreement | 1,823,400 | 215,600 |
| Net realized and unrealized loss (gain) on investments | 8,980,400 | (10,609,800) |
| Bad debt expense | 1,453,400 | 1,067,000 |
| Contributions restricted for investment in endowment | (19,653,700) | (11,261,900) |
| Donated securities | - | (642,600) |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | 532,800 | (1,382,200) |
| Prepaid expenses | (255,300) | 77,600 |
| Grants and contributions receivable | (6,531,800) | (4,204,500) |
| Inventory | (48,000) | 16,400 |
| Accounts payable and accrued expenses | 737,800 | 614,800 |
| Deferred revenue | 39,000 | 392,100 |
| Accrued postretirement benefits | 168,000 | 730,000 |
| Net cash used in operating activities | <u>(4,393,900)</u> | <u>(14,052,500)</u> |
| Cash flows from investing activities: | | |
| Purchases of building improvements and equipment | (3,661,100) | (5,043,400) |
| Proceeds from sale of fixed asset | - | 4,986,900 |
| Purchases of investments | (46,474,700) | (115,016,600) |
| Proceeds from sales of investments | 54,807,800 | 123,470,500 |
| Net cash provided by investing activities | <u>4,672,000</u> | <u>8,397,400</u> |
| Cash flows from financing activities: | | |
| Contributions restricted for investment in endowment | 9,159,300 | 3,317,500 |
| Principal payments on bonds payable | (1,630,000) | (1,565,000) |
| Net cash provided by financing activities | <u>7,529,300</u> | <u>1,752,500</u> |
| Net increase (decrease) in cash and cash equivalents | 7,807,400 | (3,902,600) |
| Cash and cash equivalents, beginning of year | <u>25,363,300</u> | <u>29,265,900</u> |
| Cash and cash equivalents, end of year | <u>\$ 33,170,700</u> | <u>\$ 25,363,300</u> |
| Supplemental disclosure of cash flow information: | | |
| Interest paid on bonds | <u>\$ 2,582,200</u> | <u>\$ 2,646,700</u> |

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

COUNCIL ON FOREIGN RELATIONS, INC.
Notes to Financial Statements
June 30, 2016 and 2015

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, DC, 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”) 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.

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, 2016 and 2015, CFR determined that an allowance for uncollectible accounts of \$288,100 and \$165,400, respectively, is necessary for certain uncollectible membership and *Foreign Affairs* receivables. In addition, CFR determined that no allowance is necessary for grants and contributions receivable, and contributions receivable for endowment as of June 30, 2016 and 2015. 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 values 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.

COUNCIL ON FOREIGN RELATIONS, INC.
Notes to Financial Statements
June 30, 2016 and 2015

It is CFR's policy to make an annual investment allocation for the support of its operations up to 5 percent of the average fair value of its investments for the three previous years.

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.

Investments held by the limited partnerships generally are carried at fair value, as determined by the respective general partners, and may be based on historical cost, appraisals, obtainable prices for similar assets, or other estimates. 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 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 in the accompanying financial statements.

Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 820, *Fair Value Measurements*, permits a reporting entity, as a practical expedient, to measure the fair value of certain investments using a NAV per share of the investment, or its equivalent. In May 2015, the FASB issued Accounting Standards Update ("ASU") 2015-07 *Disclosures for Investments in Certain Entities that Calculate Net Asset Value per Share (or its Equivalent)*, which removes the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the NAV per share practical expedient. The amendments in this update are effective for fiscal years beginning after December 15, 2016, however, early adoption is permitted. The reporting entity is required upon adoption to apply the amendments retrospectively to all periods presented.

CFR early adopted ASU 2017-07 effective July 1, 2015, and has applied the new amendments retroactively for all periods presented, as provided for by the ASU. The adoption of this new guidance by CFR only amended disclosure requirements and did not have an impact on CFR's financial statements for the periods presented.

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.

COUNCIL ON FOREIGN RELATIONS, INC.
Notes to Financial Statements
June 30, 2016 and 2015

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 Asset Classifications

Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. CFR considers all contributions and grants to be available for unrestricted use unless specifically restricted by the respective donor or grantor. Endowment contributions are invested and, pursuant to CFR's 5 percent spending policy, an investment allocation is made in accordance with donor stipulations for either general purposes (unrestricted) or specific program activities (temporarily restricted) (see note 10 for further information).

Accordingly, the net assets of CFR and changes therein are classified and reported in three net asset classes: unrestricted, temporarily restricted, and permanently restricted.

Unrestricted net assets represent resources received that have not been restricted by a donor and have no time restrictions. Such resources are available in support of CFR's operations over which the Board has discretionary control.

Temporarily restricted net assets represent contributions and other inflows of assets whose use by CFR is limited by express donor-imposed stipulations that either expire by the passage of time or can be fulfilled and removed by actions of CFR pursuant to those stipulations. When a donor restriction expires, that is, when a time restriction ends or a purpose restriction is fulfilled, temporarily restricted net assets are reclassified to unrestricted net assets and reported on the statement of activities as net assets released from restrictions.

Permanently restricted net assets represent contributions and other inflows of assets whose use by CFR is limited by express donor-imposed stipulations that neither expire with the passage of time nor can be fulfilled or otherwise removed by actions of CFR, but permit CFR to expend part or all of the income derived from the investment of the donated assets for either specified or unspecified purposes.

Accounting for Uncertainty in Income Taxes

CFR has adopted the provisions of the Accounting Standard 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 Code and similar provisions of the New York State tax code.

COUNCIL ON FOREIGN RELATIONS, INC.
Notes to Financial Statements
June 30, 2016 and 2015

Nevertheless, CFR may be subject to tax on income unrelated to its exempt purpose, unless that income is otherwise excluded by the Code. The tax years ended June 30, 2013, 2014, 2015, and 2016 are still open to audit for both federal and state purposes. 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 their fair value. Contributions received with donor stipulations that limit the use of the donated assets are reported as either temporarily restricted or permanently restricted support. Unconditional promises to give, with payments due in future years, are reported as either temporarily restricted or permanently restricted support, 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 any 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 are recorded as revenue in the period to which the dues relate.

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, which is recorded over the term of the lease based on fixed monthly payments. No deferred rent liability or asset is required to be recorded as of June 30, 2016 and 2015, in accordance with 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. Subscription, advertising, and other publishing income pertaining to *Foreign Affairs* are recorded as revenue in the relevant period in accordance with U.S. GAAP.

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

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at fair value and recognized as either an asset or a liability as of the reporting date. Changes in fair value are recorded as part of nonoperating changes in net assets 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 have been permanently restricted by donors. 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 on interest rate swap agreement, contributions to permanently restricted net assets, 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 amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Allocation of Expenses

The costs of operating the various programs and providing the supporting services have been summarized on a functional basis on the accompanying statements of activities. 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, 2016 and 2015, there is approximately \$29,890,200 and \$22,321,500, respectively, of cash and cash equivalents held by banks that exceed FDIC insurance limits. Such excess includes outstanding checks. CFR routinely monitors the financial institutions in which it transacts with and does not believe a risk of nonperformance presently exists.

Subsequent Events

CFR has evaluated, for potential recognition and disclosure, events subsequent to the date of its financial statements through October 12, 2016, the date the financial statements were issued. No events have occurred subsequent to June 30, 2016, that would require adjustment to or disclosure in the accompanying financial statements.

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3. INVESTMENTS

The components of CFR's investment portfolio as of June 30, 2016 and 2015, are as follows:

| | <u>2016</u> | <u>2015</u> | |
|-----------------------------|-----------------------|-----------------------|-----|
| Cash and cash equivalents | \$ 36,642,900 | \$ 26,835,200 | |
| Long-only equities | 108,876,200 | 119,791,700 | |
| Deflation hedges | <u>7,030,200</u> | <u>6,887,300</u> | |
| Subtotal | <u>152,549,300</u> | <u>153,514,200</u> | |
| Alternative investments: | | | |
| Growth-oriented hedge funds | 64,254,700 | 59,855,400 | (A) |
| Diversifiers | 112,720,100 | 98,134,400 | (B) |
| Private equity | 19,590,800 | 24,943,600 | (C) |
| Private hard assets | <u>4,918,100</u> | <u>4,898,900</u> | (D) |
| Subtotal | <u>201,483,700</u> | <u>187,832,300</u> | |
| Total | <u>\$ 354,033,000</u> | <u>\$ 341,346,500</u> | |

Growth-oriented assets are long-only equities and growth-oriented hedge funds that 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. Although the expected return from growth-oriented assets varies, global equities have returned roughly 7.5 percent in real-terms based on historical assumptions.

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. The return expectation for this asset class is typically around 3 to 4 percent for U.S. and developed-market government bonds based on historical assumptions.

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Alternative investments include the following as of June 30, 2016 and 2015:

- 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.
- 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, 2016 and 2015, CFR has unfunded commitments to limited partnerships of approximately \$10.4 million and \$12.9 million, respectively, and intends to sell a portion of its other investments to fund these commitments. Such purchase commitments as of June 30, 2016 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 that such changes could materially affect the amounts reported on the accompanying financial statements.

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Investment (loss) return consists of the following for the years ended June 30, 2016 and 2015:

| | 2016 | | |
|--|-----------------------|-----------------------------------|------------------------|
| | Unrestricted | Temporarily Restricted | Total |
| Dividends and interest | \$ 471,300 | \$ 1,695,600 | \$ 2,166,900 |
| Realized gains | 3,346,000 | 12,036,800 | 15,382,800 |
| Unrealized losses | <u>(5,299,300)</u> | <u>(19,063,900)</u> | <u>(24,363,200)</u> |
| Net realized and unrealized losses | <u>(1,953,300)</u> | <u>(7,027,100)</u> | <u>(8,980,400)</u> |
| Total loss on investments | (1,482,000) | (5,331,500) | (6,813,500) |
| Investment return used for | | | |
| current operations | (4,154,200) | (13,229,100) | (17,383,300) |
| Investment expenses | <u>(495,900)</u> | <u>(1,784,000)</u> | <u>(2,279,900)</u> |
| Investment loss in excess of spending rate | <u>\$ (6,132,100)</u> | <u>\$ (20,344,600)</u> | <u>\$ (26,476,700)</u> |
| | | | |
| | 2015 | | |
| | Unrestricted | Temporarily Restricted | Total |
| Dividends and interest | \$ 353,300 | \$ 1,245,700 | \$ 1,599,000 |
| Realized gains | 2,619,000 | 9,233,600 | 11,852,600 |
| Unrealized losses | <u>(274,600)</u> | <u>(968,200)</u> | <u>(1,242,800)</u> |
| Net realized and unrealized gains | <u>2,344,400</u> | <u>8,265,400</u> | <u>10,609,800</u> |
| Total return on investments | 2,697,700 | 9,511,100 | 12,208,800 |
| Investment return used for | | | |
| current operations | (3,913,900) | (12,151,100) | (16,065,000) |
| Investment expenses | <u>(509,800)</u> | <u>(1,797,000)</u> | <u>(2,306,800)</u> |
| Investment loss in excess of spending rate | <u>\$ (1,726,000)</u> | <u>\$ (4,437,000)</u> | <u>\$ (6,163,000)</u> |

Amounts reflected as pending investment purchases in the accompanying 2015 statement of financial position reflect cash disbursed to investment funds that have not yet been credited to CFR's capital accounts as of June 30, 2015. These pending investment purchases settled during fiscal 2016.

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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, 2016 and 2015, are due to be collected as follows:

| | <u>2016</u> | <u>2015</u> |
|---|----------------------|----------------------|
| Amounts due in less than one year: | | |
| Grants and contributions receivable | \$ 11,010,100 | \$ 7,453,200 |
| Contributions receivable for endowment | <u>7,460,000</u> | <u>3,043,200</u> |
| Total | <u>18,470,100</u> | <u>10,496,400</u> |
| Amounts due in one to five years: | | |
| Grants and contributions receivable | 13,518,400 | 10,619,000 |
| Contributions receivable for endowment | <u>11,782,100</u> | <u>6,629,000</u> |
| Total | <u>25,300,500</u> | <u>17,248,000</u> |
| Gross receivables | 43,770,600 | 27,744,400 |
| Less: discount (at rates varying from 0.28 percent to 1.32 percent) | <u>(668,400)</u> | <u>(546,800)</u> |
| Total receivables, net | <u>\$ 43,102,200</u> | <u>\$ 27,197,600</u> |

Endowment contributions, net of discount, totaled \$19,653,700 and \$11,261,900 for the years ended June 30, 2016 and 2015, respectively.

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, 2016 and 2015, are summarized as follows:

| | <u>2016</u> | <u>2015</u> | <u>Estimated Useful Lives</u> |
|---|----------------------|----------------------|-------------------------------|
| Land (New York) | \$ 1,854,300 | \$ 1,854,300 | |
| Land (Washington, DC) | 5,397,700 | 5,397,700 | |
| Buildings and building improvements (New York) | 34,170,300 | 32,503,000 | 3–55 years |
| Building and building improvements (Washington, DC) | 53,392,700 | 53,281,000 | 3–55 years |
| Equipment (New York) | 16,050,000 | 13,704,700 | 3–15 years |
| Equipment (Washington, DC) | 4,936,600 | 4,644,000 | 3–15 years |
| Construction in progress | <u>996,900</u> | <u>1,754,800</u> | |
| Total | 116,798,500 | 113,139,500 | |
| Less: accumulated depreciation | <u>(42,373,400)</u> | <u>(38,516,400)</u> | |
| Total net | <u>\$ 74,425,100</u> | <u>\$ 74,623,100</u> | |

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Construction in progress predominately consists of project costs related to the CFR.org website redesign, paging system, fire suppression system, façade project, burglar alarm system, building code compliance-additional fire doors and central air conditioning system upgrades. Most projects are expected to be completed between September 2016 and June 2017, and the estimated costs to complete these projects is approximately \$2,257,000.

Depreciation expense amounted to \$3,859,100 and \$3,135,600 for the years ended June 30, 2016 and 2015, respectively. During fiscal 2016, certain assets that became fully depreciated were written-off and totaled \$2,100.

6. RETIREMENT PLAN

CFR has a defined contribution retirement plan covering all employees who meet the minimum service requirements. Payments to the plan, which are calculated at 8 percent 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 plan expense amounted to approximately \$1,858,900 and \$1,715,000 for the fiscal years ended June 30, 2016 and 2015, respectively. Participants over the age of thirty must contribute 2.5 percent of their salaries and have the option to make additional contributions to the supplemental plan on their own behalf.

7. OTHER POSTRETIREMENT BENEFITS

CFR provides medical and dental benefits for its 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:

| | <u>2016</u> | <u>2015</u> |
|--|---------------------|---------------------|
| Change in benefit obligation | | |
| Benefit obligation, beginning of year | \$ 6,048,000 | \$ 5,318,000 |
| Service cost | 11,000 | 39,000 |
| Interest cost | 243,000 | 240,000 |
| Actuarial net loss | 230,000 | 794,000 |
| Benefits paid | <u>(316,000)</u> | <u>(343,000)</u> |
| | | |
| Benefit obligation, end of year | <u>\$ 6,216,000</u> | <u>\$ 6,048,000</u> |

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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 3.27 percent and 4.14 percent as of June 30, 2016 and 2015, respectively.

During fiscal 2016, the mortality assumption was updated from the RP-2014 White Collar Mortality Table projected generationally with scale MP-2014 to the RPEC-2006 White Collar Mortality Table projected generationally with scale MP-2015. The update in the mortality table resulted in an actuarial gain of \$201,000 for the year ended June 30, 2016.

The net periodic benefit obligations and the components of benefit cost for the years ended June 30, 2016 and 2015, is as follows:

| | <u>2016</u> | <u>2015</u> |
|--|-------------------|-------------------|
| Service cost | \$ 11,000 | \$ 39,000 |
| Interest cost | 243,000 | 240,000 |
| Amortization of net loss | 184,000 | 210,000 |
| Amortization of prior service credit | <u>(10,000)</u> | <u>(10,000)</u> |
| Net periodic cost included in operating expenses | <u>\$ 428,000</u> | <u>\$ 479,000</u> |

The postretirement benefit cost, net of retiree benefit payments for the years ended June 30, 2016 and 2015, amounted to \$112,000 and \$136,000, respectively, and was based on actuarial assumptions and a discount rate set as of the beginning of the year. The discount rate was 4.14 percent and 3.92 percent for fiscal years 2016 and 2015, 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 June 30, 2016 and 2015, includes reclassifications of amounts previously recognized as changes in unrestricted net assets as follows:

| | <u>2016</u> | <u>2015</u> |
|--------------------------------------|-------------|-------------|
| Amortization of net loss | \$ 184,000 | \$ 210,000 |
| Amortization of prior service credit | (10,000) | (10,000) |

Amounts that have not been recognized as components of net periodic benefit cost but are included in unrestricted net assets are as follows:

| | <u>2016</u> | <u>2015</u> |
|----------------------|---------------------|---------------------|
| Net actuarial loss | \$ 3,232,000 | \$ 3,186,000 |
| Prior service credit | <u>(51,000)</u> | <u>(61,000)</u> |
| | <u>\$ 3,181,000</u> | <u>\$ 3,125,000</u> |

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

| | <u>2016</u> | <u>2015</u> |
|---|--------------|--------------|
| Health care-cost trend rate assumed for next year | 6.33 percent | 6.67 percent |
| Rate to which the cost trend rate is assumed to decline | 5 percent | 5 percent |
| Year that the rate reaches the ultimate trend rate | 2020 | 2020 |

Increasing the assumed medical care cost trend rate by 1 percent in each year would increase the accumulated postretirement benefit obligation by \$831,000 and \$861,000 as of June 30, 2016 and 2015, respectively, and the aggregate of the service and interest cost components of net periodic postretirement benefit cost for the years then ended by \$39,000 and \$42,000, respectively. Decreasing the assumed health-care cost trend rate by 1 percent would decrease the accumulated postretirement benefit obligation by \$688,000 and \$712,000 as of June 30, 2016 and 2015, respectively, and the aggregate of the service and interest cost components of net periodic postretirement benefit cost for the years then ended by \$31,000 and \$34,000, respectively.

Amounts in unrestricted net assets expected to be recognized as components of net periodic benefit cost during fiscal year 2017 are as follows:

| | |
|----------------------|------------|
| Net actuarial loss | \$ 204,000 |
| Prior service credit | (10,000) |

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

| Year Ending June 30 | |
|----------------------------|------------|
| 2017 | \$ 325,000 |
| 2018 | 334,000 |
| 2019 | 342,000 |
| 2020 | 339,000 |
| 2021 | 341,000 |
| 2022-2026 | 1,666,000 |

8. BONDS PAYABLE

Bonds payable amounted to \$57,975,000 and \$59,605,000 as of June 30, 2016 and 2015, 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.

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In connection with the original issuance of the Bonds, CFR incurred \$3,297,400 in financing costs, which have been capitalized and are 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 70 percent of 1 month LIBOR plus 1 percent, 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 percent per annum.

As of June 30, 2016 and 2015, the index rate was 1.22 percent and 1.13 percent, respectively. The LIBOR index rate mode began September 4, 2012 (the “Conversion Date”), and ranged from 1.32 percent to 1.11 percent for fiscal years 2016 and 2015. Interest expense on the bonds was \$721,600 and \$675,600 for the years ended June 30, 2016 and 2015, respectively.

Pursuant to the Security and Intercreditor 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.

Principal payments are as follows for the years subsequent to June 30, 2016:

| Year Ending June 30 | <u>Principal</u> |
|----------------------------|-------------------------|
| 2017 | \$ 1,690,000 |
| 2018 | 1,765,000 |
| 2019 | 1,830,000 |
| 2020 | 1,905,000 |
| 2021 | 1,980,000 |
| Thereafter | <u>48,805,000</u> |
| Total | <u>\$ 57,975,000</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 percent. 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 percent. The notional amount, per the novated swap agreement, is \$57,975,000 and \$59,605,000 as of June 30, 2016 and 2015, respectively, and is amortized annually until the termination date on August 1, 2037. The fair value of the swap agreement as of June 30, 2016 and 2015, is a liability of \$9,649,500 and \$7,826,100, respectively. Net settlement transactions related to the swap agreement resulted in a net loss to CFR totaling \$1,860,600 and \$1,971,100 for the years ended June 30, 2016 and 2015, respectively.

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As of and for the years ended June 30, 2016 and 2015, amounts included within the financial statements relating to the interest rate swap agreement are as follows:

| 2016 | | | | |
|--|---|---|---|--|
| Fair Value at June 30, 2016 | Statement of Financial Position Location | Change in Value of Interest Rate Swap Agreement for the Year Ended June 30, 2015 | Statement of Activities Location | Level Within Fair Value Hierarchy |
| \$ 9,649,500 | Interest-rate swap agreement (liabilities) | \$ (1,823,400) | Change in value of interest-rate swap agreement | Level 2 |
| 2015 | | | | |
| Fair Value at June 30, 2015 | Statement of Financial Position Location | Change in Value of Interest Rate Swap Agreement for the Year Ended June 30, 2014 | Statement of Activities Location | Level Within Fair Value Hierarchy |
| \$ 7,826,100 | Interest-rate swap agreement (liabilities) | \$ (215,600) | 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. During fiscal 2016, the maturity date of the line of credit was extended to January 31, 2017. No amounts were outstanding under the line of credit as of June 30, 2016 and 2015.

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9. TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS

Temporarily restricted net assets as of June 30, 2016 and 2015, are restricted for the following purposes:

| | <u>2016</u> | <u>2015</u> |
|-------------------------------------|-----------------------|-----------------------|
| Studies Program | \$ 63,102,100 | \$ 59,127,500 |
| NY Meetings | 3,240,100 | 3,373,200 |
| Term member | 586,600 | 839,900 |
| <i>Foreign Affairs</i> publications | 1,600,500 | 1,522,400 |
| National Program | 464,700 | 504,300 |
| Digital Program | 2,610,100 | - |
| Education Program | 2,250,000 | 1,017,200 |
| Capital | 2,117,300 | 2,384,900 |
| Various programs/operating purposes | <u>85,682,500</u> | <u>99,368,600</u> |
| Total | <u>\$ 161,653,900</u> | <u>\$ 168,138,000</u> |

Temporarily restricted net assets were released from restrictions by incurring expenses satisfying the restricted purposes or by the occurrence of other events specified by the donors for the years ended June 30, 2016 and 2015, as follows:

| | <u>2016</u> | <u>2015</u> |
|-------------------------------------|----------------------|----------------------|
| Studies Program | \$ 14,259,700 | \$ 11,625,500 |
| NY Meetings | 621,300 | 554,300 |
| DC programs | - | 156,300 |
| Term member | 253,300 | 246,400 |
| <i>Foreign Affairs</i> publications | 246,600 | 192,700 |
| National Program | 243,300 | 267,100 |
| Outreach Program | 336,200 | 392,300 |
| Digital Program | 82,700 | 150,000 |
| Education Program | 1,638,800 | 994,300 |
| Capital | 267,600 | 176,800 |
| Various programs/operating programs | <u>12,046,000</u> | <u>10,390,000</u> |
| Total | <u>\$ 29,995,500</u> | <u>\$ 25,145,700</u> |

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Permanently restricted net assets as of June 30, 2016 and 2015, consist of the following. The income earned on the related investments is available for the following purposes:

| | <u>2016</u> | <u>2015</u> |
|-------------------------------------|-----------------------|-----------------------|
| Studies Program | \$ 86,034,200 | \$ 78,900,800 |
| NY Meetings | 7,419,800 | 7,418,900 |
| National Program | 2,000,000 | 2,000,000 |
| Library | 156,700 | 156,700 |
| <i>Foreign Affairs</i> publications | 2,620,200 | 2,620,200 |
| Term member | 2,500,000 | 2,500,000 |
| Other | 2,082,600 | 2,082,600 |
| Various programs/operating purposes | <u>95,368,100</u> | <u>83,848,700</u> |
| Total | <u>\$ 198,181,600</u> | <u>\$ 179,527,900</u> |

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. In addition, NYPMIFA created a rebuttable presumption of imprudence if an organization appropriates more than 7 percent 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 unrestricted by the donor will be reflected as temporarily restricted until appropriated for expenditure.

CFR classifies as permanently restricted net assets: (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. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets 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
June 30, 2016 and 2015

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 funds is described in Note 2.

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

Changes in endowment assets for the years ended June 30, 2016 and 2015, follow:

| | 2016 | | | Total Endowment Investments |
|---|----------------------|-----------------------------------|-----------------------------------|--|
| | Unrestricted | Temporarily Restricted | Permanently Restricted | |
| Investment activity | | | | |
| Interest and dividends | \$ 471,300 | \$ 1,695,600 | \$ - | \$ 2,166,900 |
| Unrealized losses | (5,299,300) | (19,063,900) | - | (24,363,200) |
| Realized gains | 3,346,000 | 12,036,800 | - | 15,382,800 |
| Investment expenses | (495,900) | (1,784,000) | - | (2,279,900) |
| Total investment activity | <u>(1,977,900)</u> | <u>(7,115,500)</u> | <u>-</u> | <u>(9,093,400)</u> |
| Contributions/cash collected on endowment multi-year pledges | - | - | 9,159,300 | 9,159,300 |
| Proceeds from sale of investments/purchases, net | <u>4,000</u> | <u>-</u> | <u>-</u> | <u>4,000</u> |
| Amounts appropriated for expenditure | <u>(4,154,200)</u> | <u>(13,229,100)</u> | <u>-</u> | <u>(17,383,300)</u> |
| Total endowment activity | (6,128,100) | (20,344,600) | 9,159,300 | (17,313,400) |
| Endowment net assets, beginning of year | <u>81,735,700</u> | <u>119,489,600</u> | <u>170,121,100</u> | <u>371,346,400</u> |
| Endowment net assets, end of year | <u>\$ 75,607,600</u> | <u>\$ 99,145,000</u> | <u>\$ 179,280,400</u> | <u>\$ 354,033,000</u> |

COUNCIL ON FOREIGN RELATIONS, INC.
Notes to Financial Statements
June 30, 2016 and 2015

| | 2015 | | | Total Endowment Investments |
|---|----------------------|---------------------------|---------------------------|-----------------------------------|
| | Unrestricted | Temporarily Restricted | Permanently Restricted | |
| Investment activity | | | | |
| Interest and dividends | \$ 353,300 | \$ 1,245,700 | \$ - | \$ 1,599,000 |
| Unrealized gains | (274,600) | (968,200) | - | (1,242,800) |
| Realized gains | 2,619,000 | 9,233,600 | - | 11,852,600 |
| Investment expenses | <u>(509,800)</u> | <u>(1,797,000)</u> | <u>-</u> | <u>(2,306,800)</u> |
| Total investment activity | <u>2,187,900</u> | <u>7,714,100</u> | <u>-</u> | <u>9,902,000</u> |
| Contributions/cash collected on | | | | |
| endowment multi-year pledges | 4,986,900 | - | 3,317,500 | 8,304,400 |
| Proceeds from sale of | | | | |
| investments/purchases, net | <u>14,500</u> | <u>-</u> | <u>-</u> | <u>14,500</u> |
| Amounts appropriated for expenditure | <u>(3,913,900)</u> | <u>(12,151,100)</u> | <u>-</u> | <u>(16,065,000)</u> |
| Total endowment activity | 3,275,400 | (4,437,000) | 3,317,500 | 2,155,900 |
| Endowment net assets, beginning of year | <u>78,460,300</u> | <u>123,926,600</u> | <u>166,803,600</u> | <u>369,190,500</u> |
| Endowment net assets, end of year | <u>\$ 81,735,700</u> | <u>\$ 119,489,600</u> | <u>\$ 170,121,100</u> | <u>\$ 371,346,400</u> |

Endowment net asset amounts are net of contributions receivable for endowment and the associated discount on these receivables. Temporarily restricted net asset amounts represent endowment resources whose use is limited by donor-imposed stipulations.

Endowment net assets of \$354,033,000 and \$371,346,400 are included within investments on the accompanying statements of financial position as of June 30, 2016 and 2015, respectively. In addition, CFR recorded endowment receivables of \$18,901,200 and \$9,406,800 as of June 30, 2016 and 2015, respectively, which are recorded as permanently restricted net assets on the accompanying statements of financial position. Such endowment receivables are excluded from the endowment schedules 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 either temporarily restricted or unrestricted net assets. 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, 2016 and 2015, there were no deficiencies.

COUNCIL ON FOREIGN RELATIONS, INC.
Notes to Financial Statements
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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 from 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 asset 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 has segregated all financial assets and liabilities that are measured at fair value on a recurring basis, except for those investments and assets of trusts administered by CFR, measured at fair value using the NAV per share practical expedient, into the most appropriate level within the fair value hierarchy based on the inputs used to determine the fair value.

COUNCIL ON FOREIGN RELATIONS, INC.
Notes to Financial Statements
June 30, 2016 and 2015

Financial assets and liabilities reported at fair value on the accompanying financial statements as of June 30, 2016 and 2015, are classified in the table as follows:

| | 2016 | | | |
|---|----------------------|-----------------------|------------------------|-----------------------|
| | Level 1 | Level 2 | Net Asset Value | Total |
| Assets reported at fair value | | | | |
| Investments: | | | | |
| Cash and cash equivalents | \$ 36,642,900 | \$ - | \$ - | \$ 36,642,900 |
| Long-only equities | 17,830,800 | - | 91,045,300 | 108,876,100 |
| Deflation hedges | - | 7,030,200 | - | 7,030,200 |
| Growth-oriented hedge funds | - | - | 64,254,600 | 64,254,600 |
| Diversifiers | - | - | 112,720,100 | 112,720,100 |
| Private equity | - | - | 19,590,900 | 19,590,900 |
| Private hard assets | - | - | 4,918,200 | 4,918,200 |
| | <u>54,473,700</u> | <u>7,030,200</u> | <u>292,529,100</u> | <u>354,033,000</u> |
| Total investments | <u>54,473,700</u> | <u>7,030,200</u> | <u>292,529,100</u> | <u>354,033,000</u> |
| Total assets reported at fair value | <u>\$ 54,473,700</u> | <u>\$ 7,030,200</u> | <u>\$ 292,529,100</u> | <u>\$ 354,033,000</u> |
| Liabilities reported at fair value | | | | |
| Interest rate swap agreement | <u>\$ -</u> | <u>\$ (9,649,500)</u> | <u>\$ -</u> | <u>\$ (9,649,500)</u> |
| Total liabilities reported at fair value | <u>\$ -</u> | <u>\$ (9,649,500)</u> | <u>\$ -</u> | <u>\$ (9,649,500)</u> |
| 2015 | | | | |
| | Level 1 | Level 2 | Net Asset Value | Total |
| Assets reported at fair value | | | | |
| Investments: | | | | |
| Cash and cash equivalents | \$ 26,835,200 | \$ - | \$ - | \$ 26,835,200 |
| Long-only equities | 13,873,000 | - | 105,918,700 | 119,791,700 |
| Deflation hedges | - | 6,887,300 | - | 6,887,300 |
| Growth-oriented hedge funds | - | - | 59,855,400 | 59,855,400 |
| Diversifiers | - | - | 98,134,400 | 98,134,400 |
| Private equity | - | - | 24,943,600 | 24,943,600 |
| Private hard assets | - | - | 4,898,900 | 4,898,900 |
| | <u>40,708,200</u> | <u>6,887,300</u> | <u>293,751,000</u> | <u>341,346,500</u> |
| Total investments | <u>40,708,200</u> | <u>6,887,300</u> | <u>293,751,000</u> | <u>341,346,500</u> |
| Total assets reported at fair value | <u>\$ 40,708,200</u> | <u>\$ 6,887,300</u> | <u>\$ 293,751,000</u> | <u>\$ 341,346,500</u> |
| Liabilities reported at fair value | | | | |
| Interest rate swap agreement | <u>\$ -</u> | <u>\$ (7,826,100)</u> | <u>\$ -</u> | <u>\$ (7,826,100)</u> |
| Total liabilities reported at fair value | <u>\$ -</u> | <u>\$ (7,826,100)</u> | <u>\$ -</u> | <u>\$ (7,826,100)</u> |

COUNCIL ON FOREIGN RELATIONS, INC.
Notes to Financial Statements
June 30, 2016 and 2015

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 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 (see Note 2). The financial statements of these alternative investments are prepared in accordance with U.S. GAAP and are audited annually by independent auditors.

These alternative investments 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 forty-five 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:

| 2016 | | | | |
|-----------------------------|-----------------------|-----------------------------|-----------------------------|----------------------|
| Investment Objective | Fair Value | Unfunded Commitments | Redemption Frequency | Notice Period |
| Long-only equities | \$ 91,045,300 | \$ - | Quarterly | 10–90 days |
| Growth-oriented hedge funds | 64,254,600 | - | Quarterly–Triennially | 60–90 days |
| Diversifiers | 112,720,100 | - | Monthly–Semi-Annually | 60–90 days |
| Private equity | 19,590,900 | 6,641,600 | Illiquid | n/a |
| Private hard assets | <u>4,918,200</u> | <u>3,727,700</u> | Illiquid | n/a |
| | <u>\$ 292,529,100</u> | <u>\$ 10,369,300</u> | | |

| 2015 | | | | |
|-----------------------------|-----------------------|-----------------------------|-----------------------------|----------------------|
| Investment Objective | Fair Value | Unfunded Commitments | Redemption Frequency | Notice Period |
| Long-only equities | \$ 105,918,700 | \$ - | Daily–Quarterly | 1–90 days |
| Growth-oriented hedge funds | 59,855,400 | - | Quarterly–Annually | 30–90 days |
| Diversifiers | 98,134,400 | - | Monthly–Annually | 60–180 days |
| Private equity | 24,943,600 | 8,121,000 | Illiquid | n/a |
| Private hard assets | <u>4,898,900</u> | <u>4,753,000</u> | Illiquid | n/a |
| | <u>\$ 293,751,000</u> | <u>\$ 12,874,000</u> | | |

COUNCIL ON FOREIGN RELATIONS, INC.
Notes to Financial Statements
June 30, 2016 and 2015

12. COMMITMENTS

Operating leases

CFR leases certain equipment under operating lease arrangements.

Future minimum payments for noncancellable operating leases as of June 30, 2016, are as follows:

| Year Ending June 30 | |
|----------------------------|-------------------|
| 2017 | \$ 133,900 |
| 2018 | 105,000 |
| 2019 | 52,600 |
| 2020 | <u>1,400</u> |
| Total | <u>\$ 292,900</u> |

Rent expense under the operating leases amounted to \$137,900 and \$121,100 for the years ended June 30, 2016 and 2015, respectively.

Rental Income

CFR has entered into a sublease agreement to lease office space. Minimum future guaranteed rental income payments due under the sublease agreement are as follows:

| Year Ending June 30 | |
|----------------------------|-------------------|
| 2017 | \$ 328,900 |
| 2018 | <u>164,500</u> |
| | <u>\$ 493,400</u> |

SUPPLEMENTARY INFORMATION

COUNCIL ON FOREIGN RELATIONS, INC.
Supplementary Schedule of Functional Expenses
For the year ended June 30, 2016, with comparative totals for 2015

| | Program Services | | | | | | | | | | | | |
|---|----------------------|-------------------|---------------------|---------------------|---------------------|----------------------|---------------------|---------------------|-------------------|---------------------|---------------------|--------------------------|----------------------|
| | Studies Program | Task Force | NY Meetings | DC Programs | Special Events | Foreign Affairs | National Program | Outreach | Term Program | Digital Program | Education Program | Global Board of Advisors | Total Programs |
| Salaries and wages | \$ 11,888,000 | \$ 128,000 | \$ 657,900 | \$ 707,400 | \$ 513,100 | \$ 2,922,100 | \$ 403,600 | \$ 635,800 | \$ 88,600 | \$ 1,505,000 | \$ 860,800 | \$ 7,400 | \$ 20,317,700 |
| Other compensation | 988,300 | 10,900 | 81,700 | 61,000 | 196,700 | 476,200 | 51,800 | 72,900 | 13,400 | 156,200 | 120,300 | 400 | 2,229,800 |
| Payroll taxes and employee benefits | 3,569,400 | 40,000 | 198,400 | 228,300 | 160,300 | 921,800 | 124,700 | 198,900 | 26,500 | 464,100 | 270,400 | 2,400 | 6,205,200 |
| Meeting expenses | 681,100 | 18,900 | 385,700 | 300,100 | 2,500 | 180,100 | 455,000 | 212,800 | 139,800 | 6,000 | 2,400 | 28,700 | 2,413,100 |
| Printing, publication, and promotion expenses | 186,300 | 23,100 | 6,800 | 4,000 | 21,500 | 2,484,900 | 3,600 | 42,900 | 3,300 | 88,300 | 26,800 | 2,000 | 2,893,500 |
| Research materials | 283,400 | 100 | 9,100 | 19,500 | 300 | 50,600 | 6,300 | 6,200 | 100 | 15,100 | 14,100 | 600 | 405,400 |
| Travel-related expenses | 1,490,100 | 48,300 | 38,900 | 76,200 | 5,500 | 94,700 | 111,700 | 180,100 | 35,800 | 61,800 | 26,300 | 21,800 | 2,191,200 |
| Administration and finance expenses | 406,900 | 8,000 | 17,000 | 46,200 | 14,200 | 543,500 | 6,900 | 8,900 | 3,100 | 33,800 | 13,400 | 100 | 1,102,000 |
| Interest expenses | 1,168,600 | 28,300 | - | 193,500 | 28,800 | - | - | - | - | 68,000 | - | - | 1,487,200 |
| Depreciation | 1,204,000 | 15,900 | 36,800 | 108,500 | 51,800 | 602,300 | 32,400 | 20,000 | 5,800 | 113,100 | 45,000 | 8,800 | 2,244,400 |
| Business expenses | 106,700 | 2,800 | 12,300 | 4,300 | 6,100 | 561,600 | 7,800 | 35,800 | 2,700 | 14,200 | 7,100 | 1,200 | 762,600 |
| Operations | 626,200 | 5,800 | 32,200 | 39,500 | 31,800 | 123,100 | 22,800 | 14,300 | 4,100 | 66,600 | 31,600 | 6,200 | 1,004,200 |
| Professional services | 3,060,000 | 44,300 | 132,300 | 74,700 | 100,700 | 1,781,100 | 73,700 | 70,400 | 19,200 | 459,800 | 770,600 | 4,700 | 6,591,500 |
| Information technology | 898,300 | 11,100 | 88,500 | 28,200 | 43,700 | 433,200 | 39,100 | 57,700 | 12,700 | 115,500 | 68,200 | - | 1,796,200 |
| Total expenses | <u>\$ 26,557,300</u> | <u>\$ 385,500</u> | <u>\$ 1,697,600</u> | <u>\$ 1,891,400</u> | <u>\$ 1,177,000</u> | <u>\$ 11,175,200</u> | <u>\$ 1,339,400</u> | <u>\$ 1,556,700</u> | <u>\$ 355,100</u> | <u>\$ 3,167,500</u> | <u>\$ 2,257,000</u> | <u>\$ 84,300</u> | <u>\$ 51,644,000</u> |

This schedule should be read in conjunction with the accompanying report of independent certified public accountants and the financial statements and notes thereto.

COUNCIL ON FOREIGN RELATIONS, INC.
Supplementary Schedule of Functional Expenses (con't)
For the year ended June 30, 2016, with comparative totals for 2015

| | Total Programs | Supporting Services | | | | Total Supporting | 2016 Total | 2015 |
|---|----------------------|---------------------|----------------------|---------------------------|---------------------|----------------------|----------------------|----------------------|
| | | Development | Corporate Program | Management and General | Membership | | | |
| Salaries and wages | \$ 20,317,700 | \$ 1,150,700 | \$ 929,400 | \$ 2,689,400 | \$ 563,800 | \$ 5,333,300 | \$ 25,651,000 | \$ 23,790,800 |
| Other compensation | 2,229,800 | 117,100 | 120,400 | 2,393,900 | 62,300 | 2,693,700 | 4,923,500 | 4,525,100 |
| Payroll taxes and employee benefits | 6,205,200 | 367,600 | 290,700 | 818,600 | 175,400 | 1,652,300 | 7,857,500 | 7,307,000 |
| Meeting expenses | 2,413,100 | 179,300 | 256,300 | 109,500 | 24,900 | 570,000 | 2,983,100 | 2,689,200 |
| Printing, publication, and promotion expenses | 2,893,500 | 31,700 | 23,400 | 41,300 | 234,200 | 330,600 | 3,224,100 | 3,428,000 |
| Research materials | 405,400 | 26,800 | 16,300 | 56,100 | 2,100 | 101,300 | 506,700 | 500,000 |
| Travel-related expenses | 2,191,200 | 84,600 | 106,500 | 111,100 | 17,300 | 319,500 | 2,510,700 | 2,238,300 |
| Administration and finance expenses | 1,102,000 | 36,100 | 29,700 | 386,500 | 190,900 | 643,200 | 1,745,200 | 2,202,400 |
| Interest expenses | 1,487,200 | - | 71,400 | 1,023,600 | - | 1,095,000 | 2,582,200 | 2,646,700 |
| Depreciation | 2,244,400 | 66,800 | 71,700 | 1,440,600 | 35,600 | 1,614,700 | 3,859,100 | 3,135,800 |
| Business expenses | 762,600 | 34,600 | 7,300 | 334,300 | 13,900 | 390,100 | 1,152,700 | 1,238,500 |
| Operations | 1,004,200 | 48,700 | 36,800 | 586,000 | 25,000 | 696,500 | 1,700,700 | 1,853,900 |
| Professional services | 6,591,500 | 93,100 | 113,200 | 875,600 | 67,600 | 1,149,500 | 7,741,000 | 6,431,500 |
| Information technology | 1,796,200 | 58,400 | 77,300 | 408,600 | 50,300 | 594,600 | 2,390,800 | 1,597,300 |
| Total expenses | <u>\$ 51,644,000</u> | <u>\$ 2,295,500</u> | <u>\$ 2,150,400</u> | <u>\$ 11,275,100</u> | <u>\$ 1,463,300</u> | <u>\$ 17,184,300</u> | <u>\$ 68,828,300</u> | <u>\$ 63,584,500</u> |