Carnegie Endowment for International Peace

Consolidated Financial Statements
For the Years Ended June 30, 2020 and 2019

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Contents

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Independent Auditor's Report

The Board of Trustees
Carnegie Endowment for International Peace
Washington, D.C.

We have audited the accompanying consolidated financial statements of Carnegie Endowment for International Peace and Subsidiaries (the Endowment), which comprise the consolidated statements of financial position as of June 30, 2020 and 2019, and the related consolidated statements of activities and changes in net assets, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Endowment as of June 30, 2020 and 2019, the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

BDO USA, LLP

October 15, 2020

Consolidated Financial Statements

Carnegie Endowment for International Peace

Consolidated Statements of Financial Position

June 30,		2020		2019
Assets				
Current assets				
Cash and cash equivalents	$	**5,494,777**	$	5,662,463
Accounts receivable and prepaid expenses		**1,156,581**		1,212,771
Contributions receivable, net (Note 2)		**11,635,837**		9,791,827
Total current assets		**18,287,195**		16,667,061
Long-term assets				
Investments (Note 3)		**345,557,808**		342,983,934
Contributions receivable, net (Note 2)		**12,912,561**		5,716,749
Property and equipment, net (Note 5)		**24,617,515**		23,862,325
Total long-term assets		**383,087,884**		372,563,008
Total assets	$	**401,375,079**	$	389,230,069
Liabilities and net assets				
Current liabilities				
Accounts payable and accrued expense	$	**5,295,250**	$	3,288,474
Bond interest payable (Note 7)		**103,758**		136,237
Note payable (Note 6)		**450,589**		433,799
Total current liabilities		**5,849,597**		3,858,510
Long-term liabilities				
Note payable, net (Note 6)		**1,205,129**		1,655,684
Interest rate swap agreement (Note 8)		**15,791,431**		10,408,365
Bonds payable, net (Note 7)		**32,659,505**		32,636,157
Total long-term liabilities		**49,656,065**		44,700,206
Total liabilities		**55,505,662**		48,558,716
Commitments and contingencies (Note 9)				
Net assets				
Without donor restrictions		**9,562,870**		10,926,865
With donor restrictions (Note 13 and Note 14)		**336,306,547**		329,744,488
Total net assets		**345,869,417**		340,671,353
Total liabilities and net assets	$	**401,375,079**	$	389,230,069

See accompanying notes to the consolidated financial statements.

Carnegie Endowment for International Peace

Consolidated Statement of Activities and Change in Net Assets

Year Ended June 30, 2020	Without Donor Restrictions	With Donor Restrictions	Total
Operating revenues and other support:			
Contributions	$ 6,745,229	$ 34,027,541	$ 40,772,770
Investment distribution to fund operations, net (Note 1)	-	14,725,848	14,725,848
Rental income	1,709,880	-	1,709,880
U.S. Government revenue	807,664	-	807,664
Conference center rental income	99,568	-	99,568
Publications	14,133	-	14,133
Other	6,976	-	6,976
Net assets released from restrictions	30,924,646	(30,924,646)	-
Total operating revenues and other support	40,308,096	17,828,743	58,136,839
Operating expenses:			
Program services	29,268,522	-	29,268,522
Supporting services:			
Management and general	4,705,892	-	4,705,892
Fundraising	2,316,157	-	2,316,157
Total operating expenses	36,290,571	-	36,290,571
Change in net assets from operations	4,017,525	17,828,743	21,846,268
Non-operating revenues and expenses:			
Investment return in excess (deficit) of spending rate	1,546	(11,266,684)	(11,265,138)
Fair value loss on interest rate swap	(5,383,066)	-	(5,383,066)
Change in net assets	(1,363,995)	6,562,059	5,198,064
Net assets, beginning of year	10,926,865	329,744,488	340,671,353
Net assets, end of year	$ 9,562,870	$ 336,306,547	$ 345,869,417

See accompanying notes to the consolidated financial statements.

Carnegie Endowment for International Peace

Consolidated Statement of Activities and Change in Net Assets

Year Ended June 30, 2019	Without Donor Restrictions	With Donor Restrictions	Total
Operating revenues and other support:			
Contributions	$ 2,688,879	$ 20,978,193	$ 23,667,072
Investment distribution to fund operations, net (Note 1)	-	14,802,655	14,802,655
Rental income	1,753,090	-	1,753,090
U.S. Government revenue	546,628	-	546,628
Conference center rental income	202,723	-	202,723
Publications	14,672	-	14,672
Other	201,905	-	201,905
Net assets released from restrictions	31,367,690	(31,367,690)	-
Total operating revenues and other support	36,775,587	4,413,158	41,188,745
Operating expenses:			
Program services	30,137,229	-	30,137,229
Supporting services:			
Management and general	4,539,497	-	4,539,497
Fundraising	2,362,378	-	2,362,378
Total operating expenses	37,039,104	-	37,039,104
Change in net assets from operations	(263,517)	4,413,158	4,149,641
Non-operating revenues and expenses:			
Investment return in excess of spending rate	38,136	7,700,318	7,738,454
Fair value loss on interest rate swap	(2,864,989)	-	(2,864,989)
Change in net assets	(3,090,370)	12,113,476	9,023,106
Net assets, beginning of year	14,017,235	317,631,012	331,648,247
Net assets, end of year	$ 10,926,865	$ 329,744,488	$ 340,671,353

See accompanying notes to the consolidated financial statements.

Carnegie Endowment for International Peace

Consolidated Statements of Functional Expenses

Year Ended June 30, 2020

	Program	Management and General	Fundraising	Total
Salaries	**$ 12,923,728**	**$ 2,215,313**	**$ 1,331,773**	**$ 16,470,814**
Payroll taxes and employee benefits	**4,170,567**	**924,437**	**326,865**	**5,421,869**
Consulting and professional fees	**3,932,963**	**591,464**	**252,393**	**4,776,820**
Other expenses	**2,111,352**	**283,826**	**29,584**	**2,424,762**
Travel	**1,220,029**	**116,620**	**6,076**	**1,342,725**
Interest expense	**1,121,365**	**192,218**	**115,556**	**1,429,139**
Property management	**1,036,758**	**177,066**	**106,446**	**1,320,270**
Depreciation and amortization	**818,479**	**64,870**	**79,474**	**962,823**
Meetings and seminars	**348,288**	**57,463**	**17,126**	**422,877**
Real estate taxes	**480,223**	**82,317**	**49,486**	**612,026**
Rent	**506,519**	**-**	**-**	**506,519**
Publication expenses	**598,251**	**298**	**1,378**	**599,927**
	$ 29,268,522	**$ 4,705,892**	**$ 2,316,157**	**$ 36,290,571**

Year Ended June 30, 2019

	Program	Management and General	Fundraising	Total
Salaries	$ 12,907,419	$ 2,123,337	$ 1,308,828	$ 16,339,584
Payroll taxes and employee benefits	4,080,479	848,866	294,323	5,223,668
Consulting and professional fees	3,762,361	491,910	353,727	4,607,998
Other expenses	1,930,795	275,934	43,874	2,250,603
Travel	1,864,486	224,046	9,189	2,097,721
Interest expense	1,103,636	181,554	111,910	1,397,100
Property management	1,030,142	169,463	104,458	1,304,063
Depreciation and amortization	906,340	56,381	85,244	1,047,965
Meetings and seminars	944,049	89,411	2,197	1,035,657
Real estate taxes	473,511	77,895	48,015	599,421
Rent	573,238	-	-	573,238
Publication expenses	560,773	700	613	562,086
	$ 30,137,229	$ 4,539,497	$ 2,362,378	$ 37,039,104

See accompanying notes to the consolidated financial statements.

Carnegie Endowment for International Peace

Consolidated Statements of Cash Flows

June 30,		**2020**		2019
Cash flows from operating activities:				
Change in net assets	$	**5,198,064**	$	9,023,106
Adjustments to reconcile change in net assets used in operating activities:				
Realized and unrealized gain on investments		**(5,052,820)**		(21,861,941)
Change in discount applied to contributions receivable		**346,995**		82,569
Change in allowance applied to contributions receivable		**162,168**		-
Amortization of bond and note issuance costs		**35,716**		30,246
Fair value loss on interest rate swap		**5,383,066**		2,864,989
Contributions restricted for endowment		**(207,436)**		(811,060)
Depreciation		**927,107**		1,017,719
Donated securities		**(159,455)**		(809,355)
Changes in assets and liabilities:				
(Increase) decrease in:				
Accounts receivable and prepaid expenses		**56,190**		396,074
Contributions receivable		**(9,548,985)**		1,532,481
Increase (decrease) in:				
Accounts payable and accrued expenses		**2,006,776**		101,077
Bond interest payable		**(32,479)**		970
Net cash used in operating activities		**(885,093)**		(8,433,125)
Cash flows from investing activities:				
Proceeds from sales of investments		**43,376,154**		61,608,165
Purchase of investments		**(40,897,208)**		(56,535,059)
Purchase of property and equipment		**(1,682,297)**		(488,438)
Net cash provided by investing activities		**796,649**		4,584,668
Cash flows from financing activities:				
Proceeds from donated securities		**159,455**		809,355
Contributions restricted for endowment		**207,436**		811,060
Payments on note payable		**(446,133)**		(342,505)
Net cash (used in) provided by financing activities		**(79,242)**		1,277,910
Decrease in cash and cash equivalents		**(167,686)**		(2,570,547)
Cash and cash equivalents, beginning of year		**5,662,463**		8,233,010
Cash and cash equivalents, end of year	$	**5,494,777**	$	5,662,463
Supplemental disclosure of cash flow information:				
Non-cash receipt on note payable	$	**-**	$	2,353,825
Non-cash payment on note payable	$	**-**	$	(2,353,825)
Cash paid for interest	$	**1,456,383**	$	1,401,268

See accompanying notes to the consolidated financial statements.

1. The Organization and Summary of Significant Accounting Policies

Carnegie Endowment for International Peace (the Endowment) is a nonprofit organization incorporated under the laws of the State of New York. The Endowment is a unique global network of policy research centers in Russia, China, Europe, the Middle East, India and the United States. Its mission, dating back more than a century, is to advance the cause of peace through analysis and development of fresh policy ideas and direct engagement and collaboration with decision-makers in government, business and civil society. Working together, our centers bring the inestimable benefit of multiple national viewpoints to bilateral, regional and global issues.

In 2006, Carnegie launched a revolutionary plan to build the first global think tank. Since then it has transformed a hundred-year-old American institution into one well-equipped for the challenges of a globalized world. Today, Carnegie has research centers in Beijing, Beirut, Brussels, Moscow, New Delhi, and Washington. The network is supervised by an international board of trustees, and its research activities are overseen by a global management group.

The scholars of each center are drawn from the region and write in the local languages, while collaborating closely with colleagues across the world. The result provides capitals and global institutions with a deeper understanding of the circumstances shaping policy choices worldwide as well as a flow of new approaches to policy problems.

During 2018, the Endowment established the Carnegie Europe Foundation. This private foundation provides a locally registered platform to work in coordination with Carnegie Europe. Carnegie's research center in New Delhi was established in 2013 as a separate Indian nonprofit organization with the objective of conducting public policy research on national, regional, and global issues in India.

Consolidation policy

The consolidated financial statements include the accounts of Carnegie Endowment for International Peace, Carnegie Europe Foundation and Carnegie India (collectively referred to as the Endowment). All significant intercompany transactions and accounts are eliminated in consolidation.

Basis of accounting

The accompanying consolidated financial statements of the Endowment are prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Basis of presentation

The Endowment follows the requirements of the Financial Accounting Standards Board (FASB) Accounting Standards Codification ("ASC") ASC 958-205, "Not-for-Profit Entities". As required by the Not-for-Profit Entities Topic of the Codification, the Endowment is required to report information regarding its consolidated financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Measure of operations

The consolidated statements of activities and change in net assets reports all changes in net assets, including changes in net assets from operating and non-operating activities. Operating activities consist of items attributable to the Endowment's ongoing program services. Non-operating activities are limited to resources that generate return from investments as well as other activities considered to be of a more unusual or nonrecurring nature.

The Endowment adopted an investment policy and a spending policy designed to provide a relatively predictable and growing stream of revenues to the operating budget and preserve the value of the investment portfolio. At the annual Spring Board meeting, the Board of Trustees approves the investment income allocation to fund operating expenses in the following year. The investment allocation for operating expenditures has two components, 70% of previous year's appropriation increased by an inflation factor, and 30% of the average market value of the portfolio for the 90-day period preceding the end of the fiscal year from two years prior, multiplied by 5%. The investment distribution to fund operations, on the accompanying consolidated statements of activities and change in net assets, represents an approximate 4% draw from the marketable investment portfolio.

Cash and cash equivalents

Cash and cash equivalents include all short-term, highly-liquid instruments purchased with an original maturity of three months or less.

Use of estimates

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management of the Endowment to make estimates and assumptions related to the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates under different assumptions and conditions.

Concentrations of credit risk

The Endowment maintains its cash balances in bank deposit accounts, which, at times, may exceed Federal Deposit Insurance Corporation limits up to $250,000. The Endowment has not experienced any losses in such accounts and believes it is not exposed to any significant financial risk on cash. Amounts on deposit in excess of federally insured limits at June 30, 2020 approximate $3.3 million.

The Endowment's investment portfolio includes fixed income securities, exchange traded funds and funds of funds which invest in common shares of publicly-traded companies, investment funds, limited partnerships, limited liability companies (LLCs) and pooled interests, which invest in a variety of vehicles (limited partnerships, LLCs, investment funds and non-U.S. corporations). Such investments are exposed to various risks, such as market and credit. Due to the level of risk associated with such investments and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in risks in the near-term could materially affect investment balances and the amounts reported in the consolidated financial statements.

Credit risk from consolidated financial instruments relates to the possibility that invested assets within a particular industry segment may experience losses due to market conditions. The Endowment has diversified its financial instruments, such that no one industry segment represents a significant concentration of risk. Contributions receivable consist mainly of amounts due from corporations and other not-for-profit organizations. Historically, the Endowment has not experienced significant losses related to accounts and contributions receivable and, therefore, believes that the credit risk related to these receivables is minimal.

The consolidated financial statements and transactions of the Endowment's foreign operations are maintained in both the relevant local currencies and U.S. dollars. Where local currencies are used, assets and liabilities are translated into U.S. dollars at current exchange rates in effect at the date on the consolidated statement of financial position in accordance with authoritative guidance issued by the FASB. Revenue is translated at the current exchange rates on the date of the commitment. Expenses are translated at the current exchange rates in effect at the time of payment. Gains and losses from foreign currency transactions are included in the change in net assets.

Contributions receivable

Contributions receivable represent unconditional promises to give and are stated at their net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of estimated future cash flows. The discounts on these contributions are computed using a discount rate commensurate with the risks involved, with the amortization of the discount included in contribution revenue. Contributions are individually analyzed for collectability. When all collection efforts have been exhausted, the contribution is written off. Management annually adjusts the allowance account based upon its estimate of those contributions believed to be uncollectible. The allowance for contribution receivables was $212,168 and $50,000, respectively as of June 30, 2020 and 2019.

Accounts receivable

Receivables are recorded at original invoice amounts less an estimate made for doubtful receivables. Invoices are billed as services are rendered. Accounts past due are individually analyzed for collectability. When all collection efforts have been exhausted, the account is written off. There is no allowance for doubtful accounts for accounts receivables, based on management's estimate that all receivables are fully collectible.

Investments

Investments are carried at fair value. To adjust the carrying value of the investments, unrealized gains and losses are reported in the statements of activities as either operating or non-operating revenues and expenses based upon the endowments spending rate/appropriation. Realized gains and losses from sales of investments are recognized on the trade date on a specific identification basis in the same manner as unrealized gains and losses. Dividend income is recognized on the ex-dividend date. Interest income is recognized when earned. The Endowment's net investment return is reported in the consolidated statement of activities and consists of interest and dividend income, net realized and unrealized gains and losses, less external investment expenses.

The Endowment reports certain investments using the net asset value (NAV) per share as determined by the external investment manager under the so called "practical expedient." The practical expedient allows net asset value per share to represent fair value for reporting purposes when the criteria for using this method are met. The Endowment uses the NAV as a practical expedient to estimate the fair value, unless it is probable that all or a portion of the investment will be sold for an amount different than NAV.

The following methods and assumptions were used to estimate the fair value of each class of financial instruments:

Investments in exchange traded funds, fixed income securities and money market funds

Investments in exchange traded funds, fixed income securities and money market funds are stated at fair market value based on the last sale price. Securities transactions are recorded on a trade-date basis and are carried at fair value.

Investments in alternative funds

Investments in funds of funds, fixed income funds, and event driven funds are stated at fair value based on the applicable percentage ownership of the underlying partnerships' net assets as of the measurement date, as provided by the fund managers. The fair values of certain investments of the underlying limited partnerships and hedge funds that may include private placements and other securities, for which prices are not readily available, are determined by the general partner or sponsor of the respective other investment partnership and may not reflect amounts that could be realized upon immediate sale, nor amounts that may be ultimately realized. Because alternative investments are not readily marketable, the fair value represents the amount the Endowment would expect to receive if it were to liquidate its investment, excluding any redemption charges that may apply.

Investments in real estate funds

Investments in real estate funds are stated at fair value based on the applicable percentage of ownership of the underlying partnership's net assets as of the measurement date, as provided by the fund managers.

Investments In derivatives

Futures contracts are valued at fair value based on the most recent available closing quotations on an exchange.

Derivative financial instruments and hedging activities

The Endowment invests in limited partnerships, LLCs, alternative funds and pooled interests that invest in various derivative instruments (e.g., options, warrants, futures, swap contracts, etc.). Derivative instruments are typically held to advance fund investment strategies to hedge investment risk to economically meet the objectives of the fund. Derivatives are recorded at estimated fair value, and the resulting gains and losses are reflected as a component of investment income in the statements of activities and change in net assets.

The interest rate swap agreements (see Notes 8) are also considered derivative instruments and are to be measured at fair value and recognized in the consolidated statements of financial position as either an asset or liability, depending on the rights or obligations under the contracts. The fair value of the interest rate swap agreement is the estimated amount that the bank or financial institution would receive or pay to terminate the swap agreement at the reporting date, taking into account current interest rates and the current creditworthiness of the swap counter parties.

Changes in the fair value of the interest rate swap agreements are reported in non-operating revenues and expenses in the consolidated statements of activities and change in net assets.

Financial instruments with off-balance sheet risk

In the course of the trading activities entered into by the Endowment's various investment fund managers, certain financial instruments with off-balance sheet risk were acquired, in order to structure portfolio transactions to economically match the investment objectives of the funds and to hedge market risk. The exposure to credit risk associated with non-performance of any of these types of financial instruments is typically limited to the value of such investments reported as assets in the consolidated statements of financial position.

Property and equipment

All acquisitions of property and equipment greater than $1,500 are capitalized at cost and are depreciated using the straight-line method over the estimated useful lives of the assets. The furniture and equipment is depreciated over lives that range from three to ten years. The building is depreciated over its estimated useful life of 60 years. Building improvements are capitalized and amortized using the straight-line method over the remaining estimated life of the building. Land is recorded at cost and is not depreciated.

Valuation of long-lived assets

The Endowment reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of long-lived assets is measured by a comparison of the carrying amount of the assets to future undiscounted net cash flows expected to be generated by the assets. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the estimated fair value of the assets. Assets to be disposed of are reportable at the lower of the carrying amount or fair value, less costs to sell. No indicators of impairment were identified as of June 30, 2020 and 2019.

Bond issuance costs

Bond issuance costs are amortized over the life of the bonds. Unamortized bond issuance costs are recorded as a reduction of bonds payable, and amortization is reported with interest expense.

Net assets

The Endowment's resources are classified for accounting and reporting purposes into net asset groups established according to their nature and purpose and based on the existence or absence of donor-imposed restrictions. Accordingly, the Endowment classifies net asset groups as follows:

Net assets without donor restrictions

Net assets without donor restrictions are not subject to donor-imposed restrictions. These net assets generally result from providing services and receiving contributions without donor restrictions, restricted gifts whose donor-imposed restrictions were met during the fiscal year less expenses incurred in providing services, raising contributions, and performing administrative functions.

Net assets with donor restrictions

Net assets with donor restrictions are subject to stipulations imposed by donors. These net assets generally result from contributions and other inflows of assets, the use of which is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Endowment pursuant to those stipulations. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. Generally, the donors of these assets permit the Endowment to use the income earned on related investments for general or specific purposes.

When a donor restriction expires as a result of a stipulated time restriction ending or purpose restriction being accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the accompanying consolidated statements of activities and change in net assets as net assets released from restrictions.

Revenue recognition

Contribution revenue

Contributions, including unconditional promises to give, are recognized in the period received. Contributions received are considered to be available for use unless specifically restricted by the donor. Amounts received that are designated for a future period, or are restricted by the donor for specific purposes, are reported as net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restriction and reported in the consolidated statements of activities and change in net assets as net assets released from restrictions. With donor restriction contributions that are used for the purpose specified by the donor in the same year as the contribution is received are recognized as without donor restriction contributions.

Contributions are reported at fair value, which is net of estimated uncollectible amounts. The Endowment uses the allowance method to determine uncollectible, unconditional pledges receivable. The allowance is based on experience as well as management's analysis of specific pledges made, including such factors as prior collection history, type of contribution, and nature of fundraising activity. Contributions, including multi-year pledges and split interest agreements, to be received after one year, are recorded at the present value of the estimated future cash flows.

Subsequent changes in this discount resulting from the passage of time are accounted for as contributions in subsequent years.

Conditional promises to give, including those received under multi-year grant agreements, are recognized as revenue when the conditions on which they depend have been substantially met.

U.S. Government revenue

Contracts received from departments or agencies of the United States Government are not considered to be contributions, but rather revenue earned related to products delivered or services rendered. Revenue on cost plus fixed fee contracts is recognized over time based on costs incurred plus a proportionate amount of fee earned. Revenue on time and materials contracts is recognized over time based on hours incurred at contract billing rates plus materials and other direct costs incurred. Revenue on fixed-price contracts is recognized based on the extent of progress towards completion of the performance obligation. Based on the nature of the products and services provided in the contract, the Organization uses judgment to determine if an input measure or output measure best depicts the transfer of control over time.

Rental income

Certain tenant leases contain rental abatement provisions and escalation clauses. The performance obligations are satisfied for this revenue over time, which is generally satisfied throughout the lease terms. Revenue are therefore, recognized straight-line over the lease period. Rental income is recognized in excess of the cash payments received in the initial years of the lease, resulting in the recognition of a rental abatement asset in the accompanying consolidated statements of financial position. The rental abatement asset will be reduced as cash payments received exceed rental income recognized.

Other revenues

Other revenues include conferences, publications, and others which are recognized when performance obligations are met.

- Conferences - the performance obligations are satisfied for this revenue stream at a point in time when the conferences occur. Each performance obligation is priced separately and payment terms and conditions vary.
- Publication - the performance obligations are satisfied for this revenue stream at a point in time when the publication is delivered. Payment is due upon delivery.

Donated securities

The Endowment received donated securities in the amounts of $159,455 and $809,355, respectively in the fiscal years ended June 30, 2020 and 2019. Donated securities are valued based on the average high and low prices on the date the securities were received.

Functional allocation of expenses

The costs of providing various programs and other activities has been summarized in the consolidated statements of functional expenses. Costs that can be specifically identified with a final cost objective are charged directly to that activity. Program costs include the direct costs to conduct programmatic activities in fulfillment of Carnegie's mission. Management and general costs include the Office of the President, Finance, Human Resources and other general costs such as insurance and legal. Fundraising costs include the Office of Development. Certain expenses, including interest, property management, depreciation and amortization, and real estate taxes have been allocated between program, management and general, and fundraising, based on the salaries directly attributable to those categories.

- Program Services: These expenses relate to Carnegie's research programs including the Asia, Middle East, South Asia, Europe, Russia and Eurasia, Nuclear Policy, Technology & International Affairs, Democracy, Conflict and Governance, and Geoeconomics and Strategy programs.
- Management and General: These expenses relate to the day to day operation and consist of administrative, accounting and legal expenses of the Endowment.
- Fundraising: These expenses are associated with fundraising initiatives and activities.

Income taxes

The Endowment is exempt from federal income taxes on its exempt activities under Section 501(c)(3) of the Internal Revenue Code (the Code) and has been designated by the Internal Revenue Service as a publicly supported organization under Section 509(a)(1) of the Code. The Endowment engages in certain activities that produce unrelated business income, as defined by federal income tax regulations.

The Endowment files income tax returns in the U.S federal jurisdiction. In accordance with FASB ASC 740 *Income Taxes*, the Endowment recognizes tax liabilities for uncertain tax positions when it is more likely than not that a tax position will not be sustained upon examination and settlement with various taxing authorities. Liabilities for uncertain tax positions are measured based upon the largest amount of benefit that is greater than 50% likely of being realized upon settlement. The guidance on accounting for uncertainty in income taxes also addresses de-recognition, classification, interest and penalties on income taxes, and accounting in interim periods. With a few exceptions, The Endowment is no longer subject to income tax examinations by the U.S. federal, state or local tax authorities for years before 2017. Management has evaluated the Endowment's tax positions and has concluded that the Endowment has taken no uncertain tax positions that require adjustment to the consolidated financial statements to comply with the provisions of this guidance.

Fair value of financial instruments

The carrying amounts of cash, accounts receivable and prepaid expenses, and accounts payable and accrued expenses approximate fair value because of the short maturity of these instruments. Investments are generally reported at fair value.

Adoption of new accounting pronouncements

In June 2018, the FASB issued ASU No. 2018-08, *Not-For-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The update clarifies and improves current guidance by providing criteria for determining whether the resource provider is receiving commensurate value in return for the resources transferred which, depending on the outcome, determines whether the organization follows contribution guidance or exchange transaction guidance in the revenue recognition and other applicable standards. The update also provides a more robust framework for determining whether a contribution is conditional or unconditional, and for distinguishing a donor-imposed condition from a donor-imposed restriction. The ASU is effective for transactions in which the entity serves as the resource providers for years beginning after December 15, 2018 for conduit bond obligors. The adoption of this guidance did not have a material impact on the accompanying consolidated financial statements.

Recent accounting pronouncements not yet adopted

In February 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842). This standard relates to leasing for both lessees and lessors. The new standard establishes a right-of-use (ROU) model that requires a lessee to record a ROU asset and a lease liability on the statement of financial position for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. This standard has been subsequently updated by ASUs 2018-01, 2018-10, 2018-11, 2018-20, 2019-01, 2019-10 and 2020-05, the last of which deferred the effective date for public not-for profit organization to fiscal years beginning after December 15, 2019. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. The Endowment is evaluating the effect that adoption of this new standard will have on the Endowment's consolidated financial statements.

In August 2018, the FASB issued ASU No. 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement*. The update modifies certain disclosure requirements in Topic 820, Fair Value Measurement. The ASU is effective for the Endowment's consolidated financial statements for fiscal years beginning after December 15, 2019. The Endowment is currently evaluating the impact of this ASU on the Endowment's consolidated financial statements.

In September 2020, the FASB issued ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The ASU improves the transparency of contributed nonfinancial assets through enhancements to presentation and disclosures. The ASU requires that a nonprofit present contributed nonfinancial assets as a separate line item in the statement of activities apart from contributions of cash or other financial assets. Information that shows the contributed nonfinancial assets disaggregated by category will be required to be disclosed. In addition, the ASU requires that for each type of contributed nonfinancial asset the following will be disclosed: (a) policy (if any) on liquidating rather than using the contributed nonfinancial assets, (b) qualitative considerations on whether the contributed nonfinancial assets were liquidated or used during the reporting period and, if used, a description of how the asset was employed should be included, (c) any donor imposed restrictions related to contributed nonfinancial assets, (d) valuation methods and inputs utilized to determine a fair value measure at initial recognition, and (e) the principal or most advantageous market utilized to calculate fair value if it is a market in which the NFP is restricted by the donor from selling or utilizing the contributed nonfinancial assets. The amendments in the ASU should be applied on a retrospective basis and are effective for annual reporting periods beginning after June 15, 2021. Early adoption of the ASU is permitted. The Endowment is evaluating the effect that adoption of this new standard will have on the Endowment's consolidated financial statements.

In March 2020 the FASB issued ASU 2020-04, Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting. The ASU provides optional guidance for a limited period of time to ease the potential burden in accounting for or recognizing the effects of reference rate reform on financial reporting. The ASU applies only to contracts, hedging relationships and other transactions that reference LIBOR or another reference rate expected to be discontinued because of the reference rate reform. The ASU is effective for the Endowment's consolidated financial statements as of March 12, 2020 through December 31, 2022. The Endowment is evaluating the effect that adoption of this new standard will have on the Endowment's consolidated financial statements. The Endowment did not adopt this standard in fiscal year 2020.

2. Contributions Receivable

At June 30, 2020 and 2019, contributions receivable are expected to be received as follows:

	2020	2019
Less than one year	$ 12,199,924	$ 10,220,175
One to five years	13,873,569	6,304,333
Contributions receivable	26,073,493	16,524,508
Less discounts to present value	(1,312,927)	(965,932)
Less allowance for doubtful accounts	(212,168)	(50,000)
	$ 24,548,398	$ 15,508,576

The Endowment applies the fair value guidance for discounting contributions receivable. Accordingly, contributions receivable are valued using rates on publicly traded debt for assets with similar maturities. The discount rate on contributions receivable was between 1.25% and 2.21% for the year ended June 30, 2020 and between 2.51% and 3.17% for the year ended June 30, 2019.

3. Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability between market participants in an orderly transaction on the measurement date. The market in which the reporting entity would sell the asset or transfer the liability with the greatest volume and level of activity for the asset or liability is known as the principal market. When no principal market exists, the most advantageous market is used. This is the market in which the reporting entity would sell the asset or transfer the liability with the price that maximizes the amount that would be received or minimizes the amount that would be paid. Fair value is based on assumptions market participants would make in pricing the asset or liability. Generally, fair value is based on observable quoted market prices or derived from observable market data when such market prices or data are available. When such prices or inputs are not available, the reporting entity should use valuation models.

The Endowment reports certain investments using the net asset value per share as determined by investment managers under the so called "practical expedient." The practical expedient allows net asset value per share to represent fair value for reporting purposes when the criteria for using this method are met.

ASC 820 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value and maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring the use of observable inputs when available. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities

(Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy under ASC 820 are described as follows:

- **Level 1** - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Endowment has the ability to access.

- **Level 2** - Inputs to the valuation methodology include:
  - Quoted prices for similar assets or liabilities in active markets;
  - Quoted prices for identical or similar assets or liabilities in inactive markets;
  - Inputs other than quoted prices that are observable for the asset or liability;
  - Inputs that are derived principally from or corroborated by observable market data by correlation or other means.
  - If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

- **Level 3** - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, investment levels within the fair value hierarchy are based on the lowest level of input that is significant to the fair value measurement. The Endowment's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the investment. The inputs or methodology used for valuing financial instruments are not necessarily an indication of the risks associated with investing in these instruments.

The assets and liabilities recorded at fair value are categorized within the fair value hierarchy based upon the level of judgment associated with the inputs used to measure their value.

The Endowment's futures variation margin is classified as Level 1 in the fair value hierarchy, as all significant inputs to the fair value measurement are directly observable, such as the underlying interest rate assumptions.

The Endowment's interest rate swap agreement is classified as Level 2 in the fair value hierarchy. The market value to settle the transaction reflects the projection of the future cash flows and discounting of the future amounts to a present value using market-based observable inputs, including interest rate curves, resulting in the Endowment's classification of the valuation inputs as Level 2.

The following tables represent the Endowment's fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis as of June 30, 2020:

	Fair Value Hierarchy Level				
	Total	**Level 1**	**Level 2**	**Level 3**	**NAV ****
Investments:					
Fixed income securities:					
U.S. Government and agency obligations (AAA Rated)	$ 20,369,348	$ 20,369,348	$ -	$ -	$ -
India Government and agency obligations (AAA Rated)	4,226,618	4,226,618	-	-	-
Total fixed income securities	24,595,966	24,595,966	-	-	-
Domestic equities	623,546	623,546	-	-	-
Fund of fund:					
Hedge fund multi-strategy	198,038,566	-	-	-	198,038,566
Private equity multi-strategy	110,303,955	-	-	-	110,303,955
Total fund of fund	308,342,521	-	-	-	308,342,521
Money market funds	12,648,819	12,648,819	-	-	-
Real estate funds	8,189	-	-	-	8,189
Futures variation margin	132,061	132,061	-	-	-
Total investments	$ 346,351,102	$ 38,000,392	$ -	$ -	$ 308,350,710
Liabilities:					
Interest rate swap agreement	$ 15,791,431	$ -	$ 15,791,431	$ -	$ -
Other*	793,294	793,294	-	-	-
Total fair value liabilities	$ 16,584,725	$ 793,294	$ 15,791,431	$ -	$ -

* Netted with investments on the consolidated statement of financial position.

**Certain investments that are measured at fair value using net asset value per share (or its equivalent) practical expedient have not been categorized in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the accompanying consolidated statement of financial position.

The following tables represent the Endowment's fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis as of June 30, 2019:

		Fair Value Hierarchy Level			
	Total	Level 1	Level 2	Level 3	NAV **
Investments:					
Fixed income securities:					
U.S. Government and agency obligations (AAA Rated)	$ 9,668,044	$ 9,668,044	$ -	$ -	$ -
India Government and agency obligations (AAA Rated)	3,658,825	3,658,825	-	-	-
Total fixed income securities	13,326,869	13,326,869	-	-	-
Domestic equities	592,131	592,131	-	-	-
Fund of fund:					
Hedge fund multi-strategy	195,670,174	-	-	-	195,670,174
Private equity multi-strategy	112,704,686	-	-	-	112,704,686
Total fund of fund	308,374,860	-	-	-	308,374,860
Fixed income funds	1,455,774	-	-	-	1,455,774
Money market funds	18,919,863	18,919,863	-	-	-
Real estate funds	10,379	-	-	-	10,379
Futures variation margin	159,554	159,554	-	-	-
Event driven funds	144,504	-	-	-	144,504
Total investments	$ 342,983,934	$ 32,998,417	$ -	$ -	$ 309,985,517
Liabilities:					
Interest rate swap agreement	$ 10,408,365	$ -	$ 10,408,365	$ -	$ -
Total fair value liabilities	$ 10,408,365	$ -	$ 10,408,365	$ -	$ -

**Certain investments that are measured at fair value using net asset value per share (or its equivalent) practical expedient have not been categorized in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the accompanying consolidated statement of financial position.

In accordance with the guidance for fair value measurements, the Endowment maximizes the use of observable inputs and minimizes the use of unobservable inputs when measuring fair value. Fair value is based on actively quoted market prices, if available. In the absence of actively quoted market prices, price information from external sources, including broker quotes and industry publications is used. If pricing information from external sources is not available, or if observable pricing is not indicative of fair value, judgment is required to develop the estimates of fair value. In those cases, the Endowment estimates prices based on available historical and near-term future price information that reflects its market assumptions.

For contracts with unique characteristics, the Endowment estimates fair value using a discounted cash flow approach deemed appropriate in the circumstances and applied consistently from period to period.

Changes in fair value levels

To assess the appropriate classification of investments within the fair value hierarchy, the availability of market data is monitored. Changes in economic conditions or valuation techniques may require the transfer of investments from one fair value level to another. The Endowment's management evaluates the significance of transfers between levels based upon the nature of the investment. For the year ended June 30, 2020, there were no material transfers in or out of Level 3 hierarchy of investments.

The major categories of the Foundation's investments that are valued at net asset value, including general information related to each category, are as follows at June 30:

	2020			
Investments	**Fair Value**	**Unfunded Commitments**	**Redemption Frequency (If Currently Eligible)**	**Redemption Notice Period**
Private equity multi-strategy (a)	**$ 110,303,955**	**$ 87,893,409**	**Annually - unavailable**	**180 days**
Hedge fund multi-strategy (b)	**198,038,566**	**-**	**Monthly - Quarterly**	**90 days - 120 days**
Real estate fund (c)	**8,189**	**32,410**	**None**	**N/A**
	$ 308,350,710	**$ 87,925,819**		

	2019			
Investments	Fair Value	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Private equity multi-strategy (a)	$ 112,704,686	$ 59,963,446	Annually - unavailable	180 days
Hedge fund multi-strategy (b)	195,670,174	-	Monthly – Quarterly	90 days – 120 days
Real estate fund (c)	10,379	519,779	None	N/A
Event driven funds (d)	144,504	-	None	N/A
Fixed income funds (e)	1,455,774	-	Three-year lock-up with 1/3 installments on the 3rd, 4th and 5th anniversary	90 days
	$ 309,985,517	$ 60,483,225		

a) This category includes a combination of some or all of the other strategies. Managers may have the flexibility to invest across all asset classes and to change their allocations to various strategies and instruments as they see fit. Instruments include a broad range of private asset classes, including buyout, venture, and growth equity, and real assets, natural resources and others. The fair values of investments in this category have been estimated using the net asset value per share of the investments. Investments representing approximately 95% of the value of the investments in this category have no redemptions as of June 30, 2020. Investments representing 5% of the value of the investments have annual redemptions with 180 days' notice as of June 30, 2020.

b) This category includes a combination of some or all of the other strategies. Managers may have the flexibility to invest and to change their allocations to various strategies and instruments as they see fit. Managers usually focus on private investment funds (also referred to as hedge funds). Multi-strategy funds may go long or short and typically use leverage to help diversify their allocations. The fair values of investments in this category have been estimated using the net asset value per share of the investments. Investments representing approximately 35% of the value of the investments in this category have monthly redemptions with 100 days' notice as of June 30, 2020. Investments representing 15% of the value of the investments in this category have quarterly redemptions with 120 days' notice as of June 30, 2020. The remaining investments in this category, approximately 50%, have quarterly redemptions with 90 days' notice as of June 30, 2020.

c) The purpose of the funds is to acquire equity interests, manage, and ultimately dispose of investments in multifamily rental properties. The assets consist primarily of consolidated interests in entities owning income properties that meet specified criteria. The valuation estimates are stated at fair value based on the applicable percentage of ownership of the underlying partnership's net assets as of the measurement date, as provided by the fund managers.

d) This category includes hedge funds that invest to profit from economic, political and government driven events. The fair values of investments in this category have been estimated using the net asset value per share of the investments. Investments in this category are no longer subject to a lock up. The manager has begun a liquidation of the remaining investments.

e) This category includes hedge funds that invest in fixed income and currency markets. Managers have the flexibility to invest in U.S. Treasury securities, securities issued by non-U.S. sovereign jurisdictions, U.S. and non-U.S. corporate debt, U.S. and non-U.S. equities, currencies, commodities, options, swaps, futures contracts, forward contracts, interest rate caps and floors, credit products (including credit default swaps) and other derivative and structured products. The fair values of investments in this category have been estimated using the net asset value per share of the investments. Investments in this category have a three-year rolling lock-up period with 1/3 installments redeemable in any 12-month period

Fair Value on a Nonrecurring Basis

The Endowment's financial instruments that are not measured at fair value on a recurring basis as of June 30, 2020 and 2019 consisted of note payable, bonds payable and contributions receivable. The fair values of note payable and bonds payable in 2020 and 2019 approximate the carrying value because the variable rates on the bonds and note payable reflect current market rates for similar ones. Contributions receivable is recorded at net present value which approximate the fair values. Management has classified these accounts as Level 2.

4. Liquidity and Availability

As of June 30, 2020 and 2019, financial assets and liquidity resources available within one year of the consolidated statements of financial position date for general expenditures, were as follows:

Years end June 30,	2020	2019
Financial assets at year-end:		
Cash and cash equivalents	$ **5,494,777**	$ 5,662,463
Account receivable	**403,380**	235,571
Current contributions receivable	**11,635,837**	9,791,827
Investments	**345,557,808**	342,983,934
Total financial assets	**363,091,802**	358,673,795
Adjustments for amounts not available for general expenditures within one year:		
Net assets with donor restrictions	**(336,306,547)**	(329,744,488)
Annual appropriation from Andrew Carnegie's endowment available for spending	**14,500,885**	14,180,623
Availability of assets within one year	$ **41,286,140**	$ 43,109,930

As part of the Endowment's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. All investments can be liquidated upon the Board's approval. The Endowment also maintains a $33,621,672 letter of credit to secure the bonds that is available to withdraw from in the event there is an unanticipated demand on the bonds. Additionally, the Endowment has accumulated earnings of $241,328,898 and $1,268,309 from Andrew Carnegie's original founding gift and from other donor endowments, respectively, that could be appropriated from and used as long as they are in line with the Endowment's charitable mission, and other donor endowment restrictions and the standard of prudence prescribed by NYUPMIFA (see Note 14). The Endowment does not intend to spend beyond the annual board appropriation from these funds although these amounts could be made available if necessary.

5. Property and Equipment

Property and equipment consist of the following at June 30:

	2020	2019
Building	$ **28,087,962**	$ 26,521,363
Furniture and equipment	**5,489,696**	5,547,131
Land	**6,374,592**	6,374,592
Total property and equipment	**39,952,250**	38,443,086
Less: accumulated depreciation	**(15,334,735)**	(14,580,761)
Property and equipment, net	$ **24,617,515**	$ 23,862,325

Depreciation expenses on property and equipment totaled $927,107 and $1,017,719 the years ended June 30, 2020 and 2019, respectively.

6. Note Payable

The Endowment entered into a five year promissory note effective December 7, 2018 with Wells Fargo Bank in the amount of $2,353,825 that bears a fixed interest rate of 3.7%. The Endowment makes monthly payments of principal and interest, with all outstanding principal amounts being due upon maturity on December 1, 2023.

Legal, accounting, consulting, and other expenses associated with the note payable are being amortized over the term of the note. Amortization expense totaled $12,368 and $6,961 for the years ended June 30, 2020 and 2019, respectively. Accumulated amortization at June 30, 2020 and 2019, totaled $19,329 and $6,961, respectively. Note payable is presented net of unamortized issuance costs of $42,171 and $54,539 on the consolidated statement of financial position as of June 30, 2020 and 2019, respectively.

Interest expense relating to the Wells Fargo promissory note totaled $70,466 and $47,183 for the years ended June 30, 2020 and 2019, respectively. The Endowment is in compliance with the financial and non-financial covenants related to this note payable.

Future minimum principal payments on this promissory note at June 30, 2020, are as follows:

2021	$	462,923
2022		480,344
2023		498,421
2024		256,201
		1,697,889
Less: Unamortized debt issuance costs		(42,171)
Total	$	1,655,718

7. Bonds Payable

On May 10, 2006, the District of Columbia issued $33,250,000 of variable District of Columbia Revenue Bonds (Carnegie Endowment for International Peace Issue) due on November 1, 2045. The 2006 bonds were issued by the District of Columbia and loaned to the Endowment, to provide funds to redeem the 1996 bonds. The 2006 bonds bear interest at a weekly auction rate and have an original interest rate of 3.55%. Due to changing market conditions, effective April 22, 2008, the Endowment converted its 2006 bonds from auction rate securities to variable demand notes in a weekly rate mode. The Endowment cancelled the underlying insurance on the auction rate securities and obtained a letter of credit to support the variable demand notes. The unamortized insurance premium was expensed. Legal, accounting, consulting, printing costs, and other expenses associated with the 2006 issuance and 2008 conversion amounted to $1,320,258 and are being amortized over the term of the bonds. Amortization expense totaled $23,348 and $23,285 for the years ended June 30, 2020 and 2019, respectively, and accumulated amortization at June 30, 2020 and 2019, totaled $729,763 and $706,415, respectively. Bonds payable are presented net of unamortized issuance costs of $590,495 and $613,843 on the consolidated statements of financial position as of June 30, 2020 and 2019, respectively.

The bonds are secured with a letter of credit, and collateralized by all income, earnings, and cash proceeds of the Endowment. The total of the letter of credit is $33,621,672 which is available to withdraw. The letter of credit agreement was amended on December 7, 2018 to extend the term to April 15, 2022. There is no outstanding balance as it relates to the letter of credit at June 30, 2020 and 2019.

Future minimum principal payments on the bonds at June 30, 2020, are as follows:

2021	$	-
2022		-
2023		-
2024		-
2025		-
Thereafter		33,250,000
Less: Unamortized debt issuance costs		(590,495)
Total	$	32,659,505

Interest expense related to the variable rate demand bonds totaled $574,145 and $690,705 for the years ended June 30, 2020 and 2019, respectively. As discussed in Note 8, the Endowment executed an interest rate swap agreement related to the bonds. The rate in effect at June 30, 2020 and 2019, was 3.75%. The Endowment was in compliance with the financial and non-financial covenants related to the bonds.

8. Interest Rate Swap Agreement

The Endowment exercised the 1996 bonds optional redemption on May 15, 2006, and issued variable bonds on May 10, 2006, to fund the redemption (see Note 7). On March 22, 2005, the Endowment entered into a forward interest rate swap agreement with Morgan Stanley Capital Services, Inc. (Morgan Stanley), effective May 15, 2006, to reduce the impact of changes in interest rates on its contemplated issue of floating rate bonds in May 2006. On July 7, 2005, and then again on May 2, 2006, the Endowment amended the interest rate swap agreement. Under the amended agreement, the notional principal amount is $33,250,000, the fixed rate is 3.75%, and the agreement expires on November 1, 2045. The agreement effectively changes the Endowment's interest rate swap exposure on the issuance of its floating rate bonds in May 2006 to a fixed 3.75%. The Endowment is exposed to credit loss in the event of non-performance by Morgan Stanley to the interest rate swap agreement. However, the Endowment does not anticipate non-performance by the counter party.

During the year ended June 30, 2020, the Endowment paid out $1,247,207 on the swap and received $462,679 from Morgan Stanley on the swap, with the net of $784,528 included in the 2006 bond interest expense. During the year ended June 30, 2019, the Endowment paid out $1,247,207 on the swap and received $644,546 from Morgan Stanley on the swap, with the net of $602,662 included in the 2006 bond interest expense. At June 30, 2020 and 2019, a liability of $15,791,431 and $10,408,365, respectively, was recognized as the fair value of the interest rate swap agreement held with Morgan Stanley.

9. Lease Commitments

The Endowment has a lease expiring on February 1, 2021, for office space for its operations in Moscow. The terms of the lease are 6,885,000 rubles ($97,216) per year, with the Endowment renting 255 square meters.

The Endowment has a lease expiring on December 31, 2021, for office space for its operations in Beirut. The terms of the lease are $201 per square meter per year, with the Endowment renting 687 square meters.

The Endowment has a non-cancelable lease expiring on May 1, 2028, for office space for its operations in Brussels. The terms of the lease are 80,000 Euros (or $89,825) per year, adjusted annually for cost of living index, with the Endowment renting 574 square meters.

The Endowment has a lease expiring on August 5, 2021, for office space for its operations in India. The terms of the lease are 6,000,000 rupees (or $79,620) per year, with the Endowment renting 4,118 square feet.

Rent expense under these operating leases for the years ended June 30, 2020 and 2019, totaled $506,519 and $573,238, respectively.

Future minimum lease payments relating to these non-cancelable leases at June 30, 2020, are as follows:

2021	$	364,155
2022		165,461
2023		89,826
2024		89,826
2025		89,826
Thereafter		254,506
	$	1,053,600

10. Leasing Arrangements as Lessor

The Endowment receives rental income from leasing approximately 36,000 square feet of space to 11 tenants in its headquarters building in Washington, D.C. The tenants pay the Endowment a base rent plus a percentage of the operating costs of the building. Individual tenants' square footage leased ranges from 1,832 square feet up to 7,473 square feet. The building's financing and zoning limits use to certain types of institutions and professional offices. Lease terms of the tenants are typically one to ten years, with current lease terms of individual tenants up for renewal varying through January 31, 2025. Rental income under these leases was $1,709,880 and $1,753,090 for the years ended June 30, 2020 and 2019, respectively.

Future minimum rental payments to be received at June 30, 2020, are as follows:

2021	$	766,179
2022		702,072
2023		590,618
2024		423,498
2025		82,736
	$	2,565,103

11. Retirement Plan

The Endowment has a defined contribution pension plan (the Plan) for all qualified employees. The Endowment contributes 15% of each covered employee's salary, up to statutory limits, to the Plan. Employees may contribute to the Plan at their option. Contributions to the Plan are fully vested to the employee upon payment to the Plan. Each participant in the Plan will receive, on the stipulated retirement or termination date, an annuity for the value of the account. Pension costs amounted to $1,610,472 and $1,553,050 for the years ended June 30, 2020 and 2019, respectively.

12. Related Party Transactions

During the years ended June 30, 2020 and 2019, trustees of the Endowment gave contributions of $21,699,222 and $3,165,758, respectively, to support the Endowment's operations.

13. Net Assets with Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes or periods at June 30, 2020 and 2019:

	June 30, 2020			
	Beginning Balance	Additions	Released from Restrictions	Ending Balance
Subject to expenditure for specific purposes and time:				
Global Vision	$ 14,080,709	$ 1,684,932	$ (318,886)	$ 15,446,755
Asia Program	7,037,841	2,759,126	(1,943,037)	7,853,930
Junior Fellow Chair	6,934,355	156,654	(112,561)	6,978,448
Middle East Program	6,298,349	1,386,521	(3,446,292)	4,238,578
Democracy, Conflict and Governance	4,502,077	861,318	(1,419,025)	3,944,370
Russia Eurasia Program	3,948,362	4,535,181	(1,355,419)	7,128,124
South Asia Program	2,907,210	892,584	(1,003,656)	2,796,138
Cyber Policy Initiative	1,948,202	560,000	(1,231,175)	1,277,027
Nuclear Policy Program	1,873,723	6,026,157	(1,159,384)	6,740,496
Geoeconomics & Strategy Program	1,766,778	422,864	(1,377,258)	812,384
Europe Program	1,695,639	1,036,965	(1,284,259)	1,448,345
Visiting Distinguished Statesman John Kerry Program	1,491,284	321,334	(743,131)	1,069,487
Technology & International Affairs Program	446,947	1,430,000	(517,292)	1,359,655
US program	427,103	2,074,998	(287,423)	2,214,678
Time restrictions	-	10,093,783	-	10,093,783
	55,358,579	34,242,417	(16,198,798)	73,402,198
Endowments:				
Subject to the Foundation's endowment spending policy:				
Original Endowment Funds	262,416,452	3,093,069	(14,180,623)	251,328,898
South Asia Program	4,986,471	(23,162)	(263,990)	4,699,319
Junior Fellow Chair	3,030,486	28,714	(146,965)	2,912,235
Middle East Program	2,057,905	9,488	(49,708)	2,017,685
Global Vision	1,894,595	136,179	(84,562)	1,946,212
	274,385,909	3,244,288	(14,725,848)	262,904,349
	$ 329,744,488	$ 37,486,705	$ (30,924,646)	$ 336,306,547

	June 30, 2019			
	Beginning Balance	**Additions**	**Released from Restrictions**	**Ending Balance**
Subject to expenditure for specific purposes and time:				
Global Vision	$ 13,552,683	$ 853,395	$ (325,369)	$ 14,080,709
Asia Program	7,793,428	1,497,338	(2,252,925)	7,037,841
Junior Fellow Chair	6,769,177	403,741	(238,563)	6,934,355
Middle East Program	7,669,992	1,919,238	(3,290,881)	6,298,349
Democracy, Conflict and Governance	1,575,645	4,217,863	(1,291,431)	4,502,077
Russia Eurasia Program	4,276,038	1,480,842	(1,808,518)	3,948,362
South Asia Program	2,579,892	1,265,291	(937,973)	2,907,210
Cyber Policy Initiative	599,708	2,416,007	(1,067,513)	1,948,202
Nuclear Policy Program	1,398,267	2,041,944	(1,566,488)	1,873,723
Geoeconomics & Strategy Program	297,382	2,483,027	(1,013,631)	1,766,778
Europe Program	947,287	1,840,717	(1,092,365)	1,695,639
Visiting Distinguished Statesman John Kerry Program	1,638,373	850,000	(997,089)	1,491,284
Technology & International Affairs Program	306,824	338,380	(198,257)	446,947
US program	379,294	325,998	(278,189)	427,103
Energy & Climate Program	80,843	-	(80,843)	-
Time restrictions	125,000	-	(125,000)	-
	49,989,833	21,933,781	(16,565,035)	55,358,579
Endowments:				
Subject to the Foundation's endowment spending policy:				
Original Endowment Funds	256,650,634	20,332,127	(14,566,309)	262,416,452
South Asia Program	4,972,260	14,211	-	4,986,471
Junior Fellow Chair	2,962,792	199,804	(132,110)	3,030,486
Middle East Program	1,417,444	673,384	(32,923)	2,057,905
Global Vision	1,638,049	327,859	(71,313)	1,894,595
	267,641,179	21,547,385	(14,802,655)	274,385,909
	$ 317,631,012	$ 43,481,166	$ (31,367,690)	$ 329,744,488

14. Endowments

The Endowment is subject to the enacted New York version of the Uniform Prudent Management of Institutional Funds Act (NYUPMIFA or the Act). The Codification defines an endowment as an established fund of cash, securities, or other assets to provide income for the maintenance of a nonprofit organization. Management has interpreted the NYUPMIFA as requiring the preservation of the fair value of original donor-restricted contributions as of the date of the gift, absent explicit donor stipulations to the contrary. As a result of this interpretation, the Endowment classifies as with donor restriction net assets (a) the original value of permanent endowment contributions and (b) the discounted value of future permanent endowment contributions, net of allowance for uncollectible pledges.

The Endowment maintains a $10 million permanently endowed fund, consisting of the original sums received from Andrew Carnegie and accumulated income thereon. The terms of the gift instrument stipulated that the principal may never be expended; however, the income is expendable. The Endowment reports the original sums received from Andrew Carnegie and accumulated income on this gift as net assets with donor restrictions until appropriated for use.

The endowment consists of a number of funds established for a variety of purposes and includes investments pooled for endowment as well as certain contributions receivable which are permanently restricted to endowment.

Interpretation of relevant law

The Board of Trustees has interpreted NYUPMIFA as requiring with donor restricted net assets to include in perpetuity the original value of the gifts donated and additions made to the permanent endowment in accordance with the donor gift instrument. Donor restricted amounts not retained in perpetuity remain in the donor restricted net assets until those amounts are appropriated for expenditure by the Endowment in a manner consistent with the donor gift instruments and the standard of prudence prescribed by NYUPMIFA. In accordance with NYUPMIFA, the Endowment considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the Endowment and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Endowment
- The investment policies of the Endowment

Return objectives and risk parameters

The Endowment adopted an investment policy and a spending rate policy designed to provide a relatively predictable and growing stream of revenues to the operating budget. The Endowment follows an investment policy that attempts to maximize annualized returns, net of costs, over rolling ten-year periods, while adhering to the Endowment's risk parameters.

Strategies employed for achieving objectives

To achieve its long-term investment objective, the Endowment 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). The Endowment targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objective within prudent risk constraints.

Underwater endowment

From time to time, certain donor-restricted endowment funds may have fair values less than the amount required by donors. The Endowment has interpreted NYUPMIFA to permit spending from underwater endowments in accordance with the prudent measures required under law. As of June 30, 2020 and 2019, the Endowment did not have any underwater funds.

Spending policy and how the investment objectives relate to spending policy

The investment income allocation from the Endowment for operating expenditures has two components: 70% of the previous year's appropriation increased by an inflation factor, and 30% of the average market value of the portfolio for the 90-day period preceding the end of the fiscal year from two years prior, multiplied by 5%. The fiscal year ended June 30, 2013, was the first of a board approved capital campaign to strengthen and grow the operations in D.C. and abroad. During this capital campaign, the Board of Trustees has authorized an additional annual investment allocation with the expectation that the funds raised will far exceed the additional investment allocation. For the years ended June 30, 2020 and 2019, the additional investment allocation was $0 and $637,000, respectively.

Endowment funds are recorded in with donor restrictions and consist of the following:

As of June 30,	**2020**	2019
Original donor-restricted gift amounts and amounts required to be maintained in perpetuity by donors:		
Andrew Carnegie's Original Endowment	**$ 10,000,000**	$ 10,000,000
Other Donor Endowments	**10,307,142**	10,447,334
	20,307,142	20,447,334
Accumulated investment gains	**242,597,207**	253,938,575
Total endowment funds	**$ 262,904,349**	$ 274,385,909

Changes in endowment net assets for the years ended June 30, 2020 and 2019 are as follows:

	Total
Endowment net assets, June 30, 2018	$ 267,641,179
Investment return, net	20,736,325
Contributions	811,060
Amounts appropriated for expenditure	(14,802,655)
Endowment net assets, June 30, 2019	**274,385,909**
Investment gain, net	**3,036,852**
Contributions	**207,436**
Amounts appropriated for expenditure	**(14,725,848)**
Endowment net assets, June 30, 2020	**$ 262,904,349**

Income earned on investments of permanent endowments is reported in the accompanying consolidated statement of activities and change in net assets as increases in with donor restricted net assets.

15. Risks and Uncertainties – COVID-19 Outbreak

On January 30, 2020, the World Health Organization (WHO) announced a global health emergency because of a new strain of coronavirus (COVID-19) and the risks to the international community as the virus spread globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

In an effort to ensure the health and well-being of the Endowment's global staff and sustain their important work and mission, the staff moved to a mandatory telework status for all of its global centers by March 2020. All in-person public and private Endowment events and gatherings were either moved to a virtual setting, postponed, or cancelled. All Endowment related travel, domestic or international, was cancelled. The Endowment pursued refunds for cancelled research travel and event space rentals. There were no major conferences cancelled during fiscal year 2020. As a result of the Washington, DC office closure, there was no conference center rental revenue recognized during the last quarter of the fiscal year. The Endowment did not experience a decrease in donor funding as a result of the pandemic during fiscal year 2020. There were no employee lay-offs during the fiscal year. The Endowment is closely monitoring the CDC (Centers for Disease Control and Prevention) and other national authority guidelines for all of the localities of its offices to determine the timing to reopen the offices. At this stage, the Endowment anticipates a phased return based on the health and safety conditions of each locality.

The extent of the impact of the COVID-19 outbreak on the operational and financial performance of the Endowment will depend on certain developments, including the duration and spread of the outbreak. The Endowment's operations are dependent on private and public donations from individuals, foundations, corporations, and government agencies. The outbreak may have a material adverse impact on economic and market conditions, triggering a period of economic slowdown. This situation may lead to a decline in contributions or collections of existing receivables. Depending on the severity and length of the outbreak, this pandemic could present material uncertainty and risk with respect to the Endowment's investments including its performance and liquidity. The fluidity of this situation precludes any prediction as to the ultimate material adverse impact of COVID-19. Nevertheless, COVID-19 presents potential material uncertainty and risk with respect to the Endowment, its performance, and its financial results.

On March 27, 2020, President Trump signed into law the "Coronavirus Aid, Relief, and Economic Security (CARES) Act." The CARES Act, among other things, includes provisions relating to refundable payroll tax credits, deferment of employer side social security payments, net operating loss carryback periods, alternative minimum tax credit refunds, modifications to the net interest deduction limitations, increased limitations on qualified charitable contributions, and technical corrections to tax depreciation methods for qualified improvement property. It also appropriated funds for the Small Business Administration (SBA) Paycheck Protection Program loans that are forgivable in certain situations to promote continued employment, as well as Economic Injury Disaster Loans to provide liquidity to small businesses harmed by COVID-19.

The Endowment has elected to defer the deposit and payment of the employer's share of social security tax and credit program under the CARES Act which allows the deferral of the employer's share of social security payments for the period beginning on March 27, 2020 and ended on December 31, 2020 with 50% of the deferral payable on December 31, 2021 and the remaining balance payable on December 31, 2022. The employer's share of social security tax payments deferred totaled $198,098 as of June 30, 2020 and are recorded as account payable and accrued expenses in the consolidated statements of financial position. The Endowment did not apply or receive any loans or stimulus funding as part of the CARES Act.

16. Subsequent Events

Subsequent events have been evaluated by management through October 15, 2020, the date the consolidated financial statements were available to be issued. There were no events noted that required adjustment or to disclosure in these consolidated financial statements other than as described in Note 15.