



Carnegie Endowment for International Peace

Consolidated Financial Statements
For the Years Ended June 30, 2021 and 2020

The report accompanying these financial statements was issued by BDO USA, LLP, a Delaware limited liability partnership and the U.S. member of BDO International Limited, a UK company limited by guarantee.



Carnegie Endowment for International Peace

Consolidated Financial Statements
For the Years Ended June 30, 2021 and 2020

Carnegie Endowment for International Peace

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Independent Auditor's Report

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

Opinion

We have audited the accompanying consolidated financial statements of the Carnegie Endowment for International Peace and Subsidiaries (the Endowment), which comprise the consolidated statements of financial position as of June 30, 2021 and 2020, 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.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Endowment as of June 30, 2021 and 2020, 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.

Basis for Opinion

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

Responsibilities of Management for the Consolidated Financial Statements

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

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



Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

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

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

BDO USA, LLP

October 18, 2021

Consolidated Financial Statements

Carnegie Endowment for International Peace

Consolidated Statements of Financial Position

<i>June 30,</i>	2021	2020
Assets		
Current assets		
Cash and cash equivalents	\$ 15,881,081	\$ 5,494,777
Accounts receivable and prepaid expenses	2,153,862	1,156,581
Contributions receivable, net (Note 2)	12,099,321	11,635,837
Total current assets	30,134,264	18,287,195
Long-term assets		
Investments (Note 3)	464,768,452	345,557,808
Contributions receivable, net (Note 2)	14,369,408	12,912,561
Property and equipment, net (Note 5)	24,098,685	24,617,515
Right of use asset - leases (Note 9)	1,313,339	-
Total long-term assets	504,549,884	383,087,884
Total assets	\$ 534,684,148	\$ 401,375,079
Liabilities and net assets		
Current liabilities		
Accounts payable and accrued expense	\$ 6,167,279	\$ 5,295,250
Future lease obligations (Note 9)	353,882	-
Bond interest payable (Note 7)	101,326	103,758
Note payable (Note 6)	468,010	450,589
Total current liabilities	7,090,497	5,849,597
Long-term liabilities		
Future lease obligations (Note 9)	968,838	-
Note payable, net (Note 6)	737,119	1,205,129
Interest rate swap agreement (Note 8)	11,477,216	15,791,431
Bonds payable, net (Note 7)	32,682,791	32,659,505
Total long-term liabilities	45,865,964	49,656,065
Total liabilities	52,956,461	55,505,662
Commitments and contingencies (Note 9)		
Net assets		
Without donor restrictions	19,561,780	9,562,870
With donor restrictions (Note 13 and Note 14)	462,165,907	336,306,547
Total net assets	481,727,687	345,869,417
Total liabilities and net assets	\$ 534,684,148	\$ 401,375,079

See accompanying notes to the consolidated financial statements.

Carnegie Endowment for International Peace

Consolidated Statement of Activities and Change in Net Assets

<i>Year Ended June 30, 2021</i>	Without Donor Restrictions	With Donor Restrictions	Total
Operating revenues and other support:			
Contributions	\$ 3,053,050	\$ 31,449,229	\$ 34,502,279
Investment distribution to fund operations, net (Note 1)	-	14,987,576	14,987,576
Rental income	1,629,985	-	1,629,985
U.S. Government revenue	795,618	-	795,618
Publications	9,290	-	9,290
Other	57,727	-	57,727
Net assets released from restrictions	35,595,849	(35,595,849)	-
Total operating revenues and other support	41,141,519	10,840,956	51,982,475
Operating expenses:			
Program services	28,838,099	-	28,838,099
Supporting services:			
Management and general	4,852,522	-	4,852,522
Fundraising	1,825,407	-	1,825,407
Total operating expenses	35,516,028	-	35,516,028
Change in net assets from operations	5,625,491	10,840,956	16,466,447
Non-operating revenues and expenses:			
Investment return in excess of spending rate	59,204	115,018,404	115,077,608
Fair value gain on interest rate swap	4,314,215	-	4,314,215
Change in net assets	9,998,910	125,859,360	135,858,270
Net assets, beginning of year	9,562,870	336,306,547	345,869,417
Net assets, end of year	\$ 19,561,780	\$ 462,165,907	\$ 481,727,687

See accompanying notes to the consolidated financial statements.

Carnegie Endowment for International Peace

Consolidated Statement of Activities and Change in Net Assets

<i>Year Ended June 30, 2020</i>	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 Statements of Functional Expenses

Year Ended June 30, 2021

	Program	Management and General	Fundraising	Total
Salaries	\$ 12,979,046	\$ 2,156,591	\$ 1,096,334	\$ 16,231,971
Payroll taxes and employee benefits	4,228,860	1,146,702	281,081	5,656,643
Consulting and professional fees	4,650,939	765,152	131,869	5,547,960
Other expenses	2,188,884	257,024	23,299	2,469,207
Travel	164,031	123	-	164,154
Interest expense	1,091,032	181,285	92,159	1,364,476
Property management	1,080,621	184,853	91,280	1,356,754
Depreciation and amortization	787,110	67,937	62,890	917,937
Meetings and seminars	99,970	1,538	-	101,508
Real estate taxes	549,574	91,317	46,422	687,313
Rent	440,737	-	-	440,737
Publication expenses	577,295	-	73	577,368
	\$ 28,838,099	\$ 4,852,522	\$ 1,825,407	\$ 35,516,028

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

See accompanying notes to the consolidated financial statements.

Carnegie Endowment for International Peace

Consolidated Statements of Cash Flows

<i>June 30,</i>	2021	2020
Cash flows from operating activities:		
Change in net assets	\$ 135,858,270	\$ 5,198,064
Adjustments to reconcile change in net assets used in operating activities:		
Realized and unrealized gain on investments	(130,528,495)	(5,052,820)
Change in discount applied to contributions receivable	150,059	346,995
Change in allowance applied to contributions receivable	(212,168)	162,168
Amortization of bond and note issuance costs	35,619	35,716
Fair value (gain) loss on interest rate swap	(4,314,215)	5,383,066
Contributions restricted for endowment	(381,517)	(207,436)
Depreciation	882,318	927,107
Donated securities	(875,947)	(159,455)
Changes in assets and liabilities:		
(Increase) decrease in:		
Accounts receivable and prepaid expenses	(997,281)	56,190
Contributions receivable	(1,858,222)	(9,548,985)
Right of use asset - leases	(1,313,339)	-
Increase (decrease) in:		
Accounts payable and accrued expenses	872,029	2,006,776
Bond interest payable	(2,432)	(32,479)
Future lease obligations	1,322,720	-
Net cash used in operating activities	(1,362,601)	(885,093)
Cash flows from investing activities:		
Proceeds from sales of investments	73,255,081	43,376,154
Purchase of investments	(61,937,230)	(40,897,208)
Purchase of property and equipment	(363,488)	(1,682,297)
Net cash provided by investing activities	10,954,363	796,649
Cash flows from financing activities:		
Proceeds from donated securities	875,947	159,455
Contributions restricted for endowment	381,517	207,436
Payments on note payable	(462,922)	(446,133)
Net cash provided by (used in) financing activities	794,542	(79,242)
Increase (decrease) in cash and cash equivalents	10,386,304	(167,686)
Cash and cash equivalents, beginning of year	5,494,777	5,662,463
Cash and cash equivalents, end of year	\$ 15,881,081	\$ 5,494,777
Supplemental disclosure of cash flow information:		
Cash paid for interest	\$ 1,363,100	\$ 1,456,383

See accompanying notes to the consolidated financial statements.

Carnegie Endowment for International Peace

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.

Carnegie Endowment for International Peace

Notes to the Consolidated Financial Statements

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, 2021 and 2020 approximate \$12.9 million and \$3.3 million, respectively.

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.

Carnegie Endowment for International Peace

Notes to 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 \$0 and \$212,168, respectively as of June 30, 2021 and 2020.

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.

Carnegie Endowment for International Peace

Notes to the Consolidated Financial Statements

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.

Carnegie Endowment for International Peace

Notes to the Consolidated Financial Statements

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, 2021 and 2020.

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.

Carnegie Endowment for International Peace

Notes to the Consolidated Financial Statements

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.

Carnegie Endowment for International Peace

Notes to the Consolidated Financial Statements

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 Endowment 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 \$875,947 and \$159,455, respectively in the fiscal years ended June 30, 2021 and 2020. Donated securities are valued based on the average high and low prices on the date the securities were received.

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Functional allocation of expenses

The costs of providing various programs and other activities have 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 American Statecraft 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 2018. 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.

Adoption of new accounting pronouncements

In February 2016, the FASB issued Accounting Standard Update (ASU) 2016-02, *Leases (Topic 842)*. This standard has been subsequently updated by ASUs 2018-01, 2018-10, 2018-11, 2018-20, 2019-01, 2019-10 and 2020-05. This standard relates to leasing for both lessees and lessors and 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 statement of activities. The Endowment adopted this standard effective July 1,

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2020 using the transition alternative to all leases existing at the adoption date. The Endowment elected to avail practical expedients under the standard to allow it to not reassess under the new standard: (1) whether expired or existing contracts are or contain leases; (2) lease classification for expired or existing leases; and (3) initial direct costs for existing leases. The Endowment also elected to avail practical expedient to account for each separate lease component of a contract and its associated non-lease components as a single lease component. The adoption of the new standard is reflected in the accompanying consolidated statements of financial position and is described in Note 5, Note 9 and Note 10.

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 adoption of the new standard updated the disclosure of fair value investments in Note 3. The adoption of this guidance resulted in the following changes: 1) the level 3 investment roll-forward was removed and replaced with a disclosure of level 3 purchases and sales, 2) the disclosure of the policy for timing of transfer between levels was removed, 3) the disclosure of the valuation process for level 3 fair value measures was removed.

Recent accounting pronouncements not yet adopted

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. This guidance has been subsequently updated by ASU 2021-01. The Endowment has not amended any of its contracts or hedging relationships to change to a different interest rate other than LIBOR.

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2. Contributions Receivable

At June 30, 2021 and 2020, contributions receivable are expected to be received as follows:

	2021		2020	
Less than one year	\$	12,374,748	\$	12,199,924
One to five years		15,556,967		13,873,569
Contributions receivable		27,931,715		26,073,493
Less discounts to present value		(1,462,986)		(1,312,927)
Less allowance for doubtful accounts		-		(212,168)
	\$	26,468,729	\$	24,548,398

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 1.46% and 2.17% for the year ended June 30, 2021 and between 1.25% and 2.21% for the year ended June 30, 2020.

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.

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- **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.

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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, 2021:

	Fair Value Hierarchy Level				NAV **
	Total	Level 1	Level 2	Level 3	
Investments:					
Fixed income securities:					
U.S. Government and agency obligations (AAA Rated)	\$ 25,208,820	\$ 25,208,820	\$ -	\$ -	-
India Government and agency obligations (AAA Rated)	4,028,126	4,028,126	-	-	-
Total fixed income securities	29,236,946	29,236,946	-	-	-
Fund of fund:					
Hedge fund multi-strategy	256,230,620	-	-	-	256,230,620
Private equity multi-strategy	170,948,045	-	-	-	170,948,045
Total fund of fund	427,178,665	-	-	-	427,178,665
Money market funds	10,606,255	10,606,255	-	-	-
Futures variation margin	104,264	104,264	-	-	-
Total investments	\$ 467,126,130	\$ 39,947,465	\$ -	\$ -	427,178,665
Liabilities:					
Interest rate swap agreement	\$ 11,477,216	\$ -	\$ 11,477,216	\$ -	-
Other*	2,357,678	2,357,678	-	-	-
Total fair value liabilities	\$ 13,834,894	\$ 2,357,678	\$ 11,477,216	\$ -	-

* 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.

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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				NAV **
	Total	Level 1	Level 2	Level 3	
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.

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.

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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:

<i>Investments</i>	2021			
	Fair Value	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Private equity multi-strategy (a)	\$ 170,948,045	\$ 126,211,142	Annually - unavailable	180 days
Hedge fund multi-strategy (b)	256,230,620	-	Monthly - Quarterly	90 days - 120 days
	\$ 427,178,665	\$ 126,211,142		

<i>Investments</i>	2020			
	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		

- 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 97% of the value of the investments in this category have no redemptions as of June 30, 2021. Investments representing 3% of the value of the investments have annual redemptions with 180 days' notice as of June 30, 2021.
- 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 37% of the value of the investments in this category have monthly redemptions with 100 days' notice as of June 30, 2021. Investments representing 14% of the value of the investments in this category have quarterly redemptions with 120

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days' notice as of June 30, 2021. The remaining investments in this category, approximately 49%, have quarterly redemptions with 90 days' notice as of June 30, 2021.

- 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.

4. Liquidity and Availability

As of June 30, 2021 and 2020, financial assets and liquidity resources available within one year of the consolidated statements of financial position date for general expenditures, were as follows:

<i>Years end June 30,</i>	2021	2020
Financial assets at year-end:		
Cash and cash equivalents	\$ 15,881,081	\$ 5,494,777
Account receivable	354,872	403,380
Current contributions receivable	12,099,321	11,635,837
Investments	464,768,452	345,557,808
Total financial assets	493,103,726	363,091,802
Adjustments for amounts not available for general expenditures within one year:		
Net assets with donor restrictions	(462,165,907)	(336,306,547)
Annual appropriation from Andrew Carnegie's endowment available for spending	14,510,318	14,500,885
Availability of assets within one year	\$ 45,448,137	\$ 41,286,140

As part of 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. Carnegie also maintains a \$33,621,672 letter of credit to secure the bonds and is available to withdraw in the event there is an unanticipated call on the bonds. Additionally, the Endowment has accumulated earnings of \$347,410,275 and \$2,634,789 from the 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.

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5. Property and Equipment

Property and equipment consist of the following at June 30:

	2021	2020
Building	\$ 17,932,192	\$ 28,087,962
Building - space leased out to tenants (Note 10)	10,286,622	-
Furniture and equipment	5,322,042	5,489,696
Land	6,374,592	6,374,592
Total property and equipment	39,915,448	39,952,250
Less: accumulated depreciation	(15,816,763)	(15,334,735)
Property and equipment, net	\$ 24,098,685	\$ 24,617,515

Depreciation expenses on property and equipment totaled \$882,318 and \$927,107 for the years ended June 30, 2021 and 2020, 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 \$12,333 and \$12,368 for the years ended June 30, 2021 and 2020, respectively. Accumulated amortization at June 30, 2021 and 2020, totaled \$31,662 and \$19,329 respectively. Note payable is presented net of unamortized issuance costs of \$29,838 and \$42,171 on the consolidated statement of financial position as of June 30, 2021 and 2020, respectively.

Interest expense relating to the Wells Fargo promissory note totaled \$53,628 and \$70,466 for the years ended June 30, 2021 and 2020, 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, 2021, are as follows:

Years ending June 30,

2022	\$	480,344
2023		498,421
2024		256,202
		1,234,967
Less: Unamortized debt issuance costs		(29,838)
Total	\$	1,205,129

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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 \$23,286 and \$23,348 for the years ended June 30, 2021 and 2020, respectively, and accumulated amortization at June 30, 2021 and 2020, totaled \$753,049 and \$729,763, respectively. Bonds payable are presented net of unamortized issuance costs of \$567,209 and \$590,495 on the consolidated statements of financial position as of June 30, 2021 and 2020, 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, 2021 and 2020.

Future minimum principal payments on the bonds at June 30, 2021, are as follows:

Years ending June 30,

2022	\$	-
2023		-
2024		-
2025		-
2026		-
Thereafter		33,250,000
Less: Unamortized debt issuance costs		(567,209)
Total	\$	32,682,791

Interest expense related to the variable rate demand bonds totaled \$199,085 and \$574,145 for the years ended June 30, 2021 and 2020, 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, 2021 and 2020, was 3.75%. The Endowment was in compliance with the financial and non-financial covenants related to the bonds.

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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, 2021, the Endowment paid out \$1,247,207 on the swap and received \$135,444 from Morgan Stanley on the swap, with the net of \$1,111,763 included in the 2006 bond interest expense. 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. At June 30, 2021 and 2020, a liability of \$11,477,216 and \$15,791,431, respectively, was recognized as the fair value of the interest rate swap agreement held with Morgan Stanley.

9. Lease Commitments

The Endowment assesses contracts at inception to determine whether an arrangement includes a lease, which conveys the Endowment's right to control the use of an identified asset for a period of time in exchange for consideration. The Endowment has operating leases for office space for its global centers for which a right-of-use asset and a lease liability are recorded in the accompanying 2021 consolidated statement of financial position in accordance with ASU 2016-02, *Leases*. The Endowment measures its lease assets and liabilities using a risk-free rate of return selected based on the term of the lease.

The Endowment considered the likelihood of exercising renewal or termination terms in measuring the right-of-use assets and lease liabilities. The Endowment has included renewal periods in its assessment of lease terms when provided. The Endowment's lease payments include both fixed and variable payments. Variable payments are based on indices specified in the leases. The leases do not contain residual value guarantees.

The Endowment has recorded the right of use of asset balance of \$1,313,339 in the accompanying consolidated statements of financial position as of June 30, 2021 for the following operating leases for its global centers' office space:

- a) Office space for its operations in Moscow. The Endowment is renting 255 square meters under this arrangement. The lease does not have an expiration date but requires six months advance notice to terminate the lease. Rental payments under lease are 6,885,000 Russian Rubles (approximately \$94,348) per year.
- b) Office space for its operations in Beirut. The Endowment is renting 687 square meters under this arrangement. The lease is expiring on December 31, 2021 and does not include an option to renewal. Rental payments under the lease are \$138,000 per year.

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- c) Office space for its operations in Brussels. The Endowment is renting 574 square meters under this arrangement. The lease is non-cancelable and expiring on May 1, 2028. Rental payments under the lease are 80,000 Euros (approximately \$95,029) per year, adjusted annually for cost-of-living index.
- d) Office space for its operations in New Delhi. The Endowment is renting 4,118 square feet under this arrangement. The lease is expiring on August 5, 2021 and the Endowment plans to exercise a three-year renewal option included in the lease agreement. Rental payments under the lease are 6,000,000 Indian Rupees (approximately \$80,771) per year.

The Endowment has elected the practical expedient to forgo applying the recognition requirements in ASC 842 to short-term leases. The Endowment has short-term leases for equipment which are expensed as paid. The Endowment does not have any finance leases.

The maturity of the lease liability under the Endowment's operating leases as of June 30, 2021 is as follows:

Years ending June 30,

2022	\$	353,882
2023		300,200
2024		300,200
2025		106,952
2026		97,731
Thereafter		179,174
		<u>1,338,140</u>
Less: Effects of discounting		15,420
Lease liabilities recognized	\$	<u>1,322,720</u>

Supplemental quantitative information related to operating leases for the year ended June 30, 2021:

Cash paid for amounts included in the measurement of lease liabilities - operating cashflows	\$	409,343
Weighted-average remaining lease term		4.8 years
Weighted-average discount rate		0.41%

Future minimum rental payments due under operating leases at June 30, 2020, are as follows:

Years ending June 30,

2021	\$	364,155
2022		165,461
2023		89,826
2024		89,826
2025		89,826
Thereafter		254,506
	\$	<u>1,053,600</u>

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Rent expense under these operating leases for the years ended June 30, 2021 and 2020, totaled \$440,737 and \$506,519, respectively.

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 (See Note 5). 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 June 30, 2028. There is no option for a lessee to purchase the rental space in the lease agreement. Rental income under these leases was \$1,629,985 and \$1,709,880 for the years ended June 30, 2021 and 2020, respectively.

Future minimum rental payments to be received at June 30, 2021, are as follows:

Years ending June 30,

2022	\$	711,851
2023		666,184
2024		525,380
2025		218,835
2026		64,107
Thereafter		109,774
	\$	2,296,131

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 \$1,612,372 and \$1,610,472 for the years ended June 30, 2021 and 2020, respectively.

12. Related Party Transactions

During the years ended June 30, 2021 and 2020, trustees of the Endowment gave contributions of \$9,573,847 and \$21,699,222, respectively, to support the Endowment's operations.

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Notes to the Consolidated Financial Statements

13. Net Assets with Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes or periods at June 30, 2021 and 2020:

	June 30, 2021			
	Beginning Balance	Additions	Released from Restrictions	Ending Balance
Subject to expenditure for specific purposes and time:				
Global Vision	\$ 15,446,755	\$ 2,722,225	\$ (525,143)	\$ 17,643,837
Asia Program	7,853,930	2,785,359	(2,610,232)	8,029,057
Junior Fellow Chair	6,978,448	1,363,040	(239,654)	8,101,834
Middle East Program	4,238,578	2,876,251	(2,861,708)	4,253,121
Democracy, Conflict, and Governance Program	3,944,370	1,549,636	(1,851,270)	3,642,736
Russia Eurasia Program	7,128,124	2,430,214	(1,395,830)	8,162,508
South Asia Program	2,796,138	1,552,113	(905,112)	3,443,139
Cyber Policy Initiative	1,277,027	3,580,072	(1,269,147)	3,587,952
Nuclear Policy Program	6,740,496	1,375,903	(1,433,819)	6,682,580
American Statecraft Program	812,384	2,060,097	(1,116,047)	1,756,434
Europe Program	1,448,345	4,889,558	(1,524,147)	4,813,756
Visiting Distinguished Statesman John Kerry Program	1,069,487	269,202	(545,296)	793,393
Technology & International Affairs Program	1,359,655	1,767,500	(932,424)	2,194,731
US Program	2,214,678	4,390,353	(290,444)	6,314,587
Time Restrictions	10,093,783	4,927,627	(3,108,000)	11,913,410
	73,402,198	38,539,150	(20,608,273)	91,333,075

Endowments:

Subject to the Foundation's endowment spending policy:

Original Endowment Funds	251,328,898	120,582,263	(14,500,886)	357,410,275
South Asia Program	4,699,319	581,339	(280,752)	4,999,906
Junior Fellow Chair	2,912,235	634,787	(120,536)	3,426,486
Middle East Program	2,017,685	347,588	(13,364)	2,351,909
Global Vision	1,946,212	770,082	(72,038)	2,644,256
	262,904,349	122,916,059	(14,987,576)	370,832,832
	\$ 336,306,547	\$ 161,455,209	\$ (35,595,849)	\$ 462,165,907

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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 Program	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
American Statecraft 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

Carnegie Endowment for International Peace

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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.

Carnegie Endowment for International Peace

Notes to the Consolidated Financial Statements

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, 2021 and 2020, 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%.

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

<i>As of June 30,</i>	2021	2020
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	10,787,768	10,307,142
	20,787,768	20,307,142
Accumulated investment gains	350,045,064	242,597,207
Total endowment funds	\$ 370,832,832	\$ 262,904,349

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Changes in endowment net assets for the years ended June 30, 2021 and 2020 are as follows:

	Total
Endowment net assets, June 30, 2019	\$ 274,385,909
Investment return, net	3,036,852
Contributions	207,436
Amounts appropriated for expenditure	(14,725,848)
Endowment net assets, June 30, 2020	262,904,349
Investment return, net	122,534,542
Contributions	381,517
Amounts appropriated for expenditure	(14,987,576)
Endowment net assets, June 30, 2021	\$ 370,832,832

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 during the COVID-19 pandemic, 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 situation remains largely unchanged with all domestic and international travel put on hold and all meetings and events taking place in a virtual setting. Given the current high level of uncertainty about the variants and the durability of the vaccines, the Endowment postponed the formal reopening of the Washington, DC office to January 2022. The global centers continue to operate in a remote setting. The Endowment continues to closely monitor the CDC (Centers for Disease Control and Prevention) and other national authority guidelines for all of the localities of its offices to determine the appropriate timing to reopen the global offices. At this stage, the Endowment anticipates a phased return based on the health and safety conditions of each locality.

There were no major conferences cancelled during fiscal year 2021. As a result of the Washington, DC office closure, there was no conference center rental revenue recognized during the fiscal year. The Endowment did not experience a decrease in donor funding as a result of the pandemic during fiscal year 2021. There were no employee lay-offs during the fiscal year.

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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, the "Coronavirus Aid, Relief, and Economic Security (CARES) Act" was signed into law. 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 (PPP) 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 \$469,912 as of June 30, 2021 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.

On December 28, 2020, the Consolidated Appropriations Act, 2021 (the Act) was signed into law, which includes \$900 billion in stimulus relief as a result of the COVID-19 pandemic. The Act included provisions to allow a second round of PPP loans allowing certain eligible borrowers that previously received a PPP loan to apply for a second draw PPP loan. The Endowment did not apply or receive any loans or stimulus funding as part of the Act.

On March 11, 2021, the American Rescue Plan Act of 2021 was signed into law which includes \$1.9 trillion in stimulus relief as a result of the COVID-19 pandemic. Currently, management does not expect this law to have a material impact on the consolidated statements of financial position, changes in net assets, or liquidity of the Endowment.

16. Subsequent Events

Subsequent events have been evaluated by management through October 18, 2021, 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.