



# Carnegie Endowment for International Peace

Consolidated Financial Statements  
For the Years Ended June 30, 2022 and 2021

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**

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Consolidated Financial Statements  
For the Years Ended June 30, 2022 and 2021

# 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, 2022 and 2021, 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, 2022 and 2021, 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

The report accompanying these financial statements BDO USA, LLP, a Delaware limited liability partnership, is the U.S. member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.

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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 13, 2022

## **Consolidated Financial Statements**

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# Carnegie Endowment for International Peace

## Consolidated Statements of Financial Position

<i>June 30,</i>	2022	2021
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 17,087,588	\$ 15,881,081
Accounts receivable and prepaid expenses	1,299,836	2,153,862
Contributions receivable, net (Note 2)	17,718,911	12,099,321
<b>Total current assets</b>	<b>36,106,335</b>	<b>30,134,264</b>
<b>Long-term assets</b>		
Investments (Note 3)	441,048,847	464,768,452
Contributions receivable, net (Note 2)	10,252,759	14,369,408
Property and equipment, net (Note 5)	33,107,199	24,098,685
Right of use asset - leases (Note 10)	1,052,515	1,313,339
<b>Total long-term assets</b>	<b>485,461,320</b>	<b>504,549,884</b>
<b>Total assets</b>	<b>\$ 521,567,655</b>	<b>\$ 534,684,148</b>
<b>Liabilities and Net Assets</b>		
<b>Current liabilities</b>		
Accounts payable and accrued expense	\$ 6,752,700	\$ 6,167,279
Future lease obligations (Note 10)	319,405	353,882
Bond interest payable (Note 7)	121,968	101,326
Note payable (Note 6)	486,088	468,010
<b>Total current liabilities</b>	<b>7,680,161</b>	<b>7,090,497</b>
<b>Long-term liabilities</b>		
Future lease obligations (Note 10)	744,903	968,838
Note payable, net (Note 6)	251,031	737,119
Interest rate swap agreement (Note 8)	5,890,181	11,477,216
Bonds payable, net (Note 7)	32,663,603	32,682,791
<b>Total long-term liabilities</b>	<b>39,549,718</b>	<b>45,865,964</b>
<b>Total liabilities</b>	<b>47,229,879</b>	<b>52,956,461</b>
<b>Commitments and contingencies (Note 10)</b>		
<b>Net assets</b>		
Without donor restrictions	31,830,126	19,561,780
With donor restrictions (Note 14 and Note 15)	442,507,650	462,165,907
<b>Total net assets</b>	<b>474,337,776</b>	<b>481,727,687</b>
<b>Total liabilities and net assets</b>	<b>\$ 521,567,655</b>	<b>\$ 534,684,148</b>

*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, 2022</i>	Without Donor Restrictions	With Donor Restrictions	Total
<b>Operating revenues and other support:</b>			
Contributions of cash and other financial assets	\$ 5,539,355	\$ 28,241,977	\$ 33,781,332
Contributions of nonfinancial assets	42,083	-	42,083
Investment return distribution to fund operations, net (Note 1)	-	14,978,215	14,978,215
Rental income	1,253,411	-	1,253,411
U.S. Government revenue	591,318	-	591,318
Publications	11,199	-	11,199
Other	15,250	-	15,250
Net assets released from restrictions	36,717,201	(36,717,201)	-
<b>Total operating revenues and other support</b>	<b>44,169,817</b>	<b>6,502,991</b>	<b>50,672,808</b>
<b>Operating expenses:</b>			
Program services	30,413,041	-	30,413,041
Supporting services:			
Management and general	5,489,778	-	5,489,778
Fundraising	1,742,755	-	1,742,755
<b>Total operating expenses</b>	<b>37,645,574</b>	<b>-</b>	<b>37,645,574</b>
<b>Change in net assets from operations</b>	<b>6,524,243</b>	<b>6,502,991</b>	<b>13,027,234</b>
<b>Non-operating revenues and expenses:</b>			
Investment return in excess of spending rate	157,068	(26,161,248)	(26,004,180)
Fair value gain on interest rate swap	5,587,035	-	5,587,035
<b>Change in net assets</b>	<b>12,268,346</b>	<b>(19,658,257)</b>	<b>(7,389,911)</b>
<b>Net assets, beginning of year</b>	<b>19,561,780</b>	<b>462,165,907</b>	<b>481,727,687</b>
<b>Net assets, end of year</b>	<b>\$ 31,830,126</b>	<b>\$ 442,507,650</b>	<b>\$ 474,337,776</b>

*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
<b>Operating revenues and other support:</b>			
Contributions of cash and other financial assets	\$ 3,053,050	\$ 31,449,229	\$ 34,502,279
Contributions of nonfinancial assets	-	-	-
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)	-
<b>Total operating revenues and other support</b>	41,141,519	10,840,956	51,982,475
<b>Operating expenses:</b>			
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
<b>Total operating expenses</b>	35,516,028	-	35,516,028
<b>Change in net assets from operations</b>	5,625,491	10,840,956	16,466,447
<b>Non-operating revenues and expenses:</b>			
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
<b>Change in net assets</b>	9,998,910	125,859,360	135,858,270
<b>Net assets, beginning of year</b>	9,562,870	336,306,547	345,869,417
<b>Net assets, end of year</b>	\$ 19,561,780	\$ 462,165,907	\$ 481,727,687

*See accompanying notes to the consolidated financial statements.*

# Carnegie Endowment for International Peace

## Consolidated Statements of Functional Expenses

<i>Year Ended June 30, 2022</i>	Program	Management and General	Fundraising	Total
Salaries	\$ 13,885,844	\$ 2,517,721	\$ 1,026,869	\$ 17,430,434
Payroll taxes and employee benefits	4,766,536	1,122,692	248,358	6,137,586
Consulting and professional fees	4,216,156	679,660	150,119	5,045,935
Other expenses	1,604,684	309,520	22,392	1,936,596
Travel	525,412	124,031	2,657	652,100
Interest expense	1,067,567	193,567	78,947	1,340,081
Property management	1,772,140	328,927	131,051	2,232,118
Depreciation and amortization	707,462	83,531	49,516	840,509
Meetings and seminars	269,907	51,521	4,421	325,849
Real estate taxes	384,379	69,694	28,425	482,498
Rent	429,546	8,000	-	437,546
Publication expenses	783,408	914	-	784,322
	<b>\$ 30,413,041</b>	<b>\$ 5,489,778</b>	<b>\$ 1,742,755</b>	<b>\$ 37,645,574</b>

<i>Year Ended June 30, 2021</i>	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
	<b>\$ 28,838,099</b>	<b>\$ 4,852,522</b>	<b>\$ 1,825,407</b>	<b>\$ 35,516,028</b>

*See accompanying notes to the consolidated financial statements.*

# Carnegie Endowment for International Peace

## Consolidated Statements of Cash Flows

<i>June 30,</i>	2022	2021
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ (7,389,911)	\$ 135,858,270
<b>Adjustments to reconcile change in net assets used in operating activities:</b>		
Realized and unrealized loss (gain) on investments	11,122,705	(130,528,495)
Change in discount applied to contributions receivable	(162,914)	150,059
Change in allowance applied to contributions receivable	98,435	(212,168)
Amortization of bond and note issuance costs	40,371	35,619
Fair value gains on interest rate swap	(5,587,035)	(4,314,215)
Contributions restricted for endowment	(196,181)	(381,517)
Non-cash lease expense	260,824	370,638
Depreciation	800,138	882,318
Loss on disposal of property and equipment	582,820	-
Donated securities	(2,813,810)	(875,947)
<b>Changes in assets and liabilities:</b>		
<b>(Increase) decrease in:</b>		
Accounts receivable and prepaid expenses	854,026	(997,281)
Contributions receivable	(1,438,462)	(1,858,222)
<b>Increase (decrease) in:</b>		
Accounts payable and accrued expenses	585,421	872,029
Bond interest payable	20,642	(2,432)
Principal reduction in operating lease liabilities	(258,412)	(361,257)
<b>Net cash used in operating activities</b>	<b>(3,481,343)</b>	<b>(1,362,601)</b>
<b>Cash flows from investing activities:</b>		
Proceeds from sales of investments	88,008,157	73,255,081
Purchase of investments	(75,411,257)	(61,937,230)
Purchase of property and equipment	(10,391,472)	(363,488)
<b>Net cash provided by investing activities</b>	<b>2,205,428</b>	<b>10,954,363</b>
<b>Cash flows from financing activities:</b>		
Proceeds from donated securities	2,813,810	875,947
Contributions restricted for endowment	196,181	381,517
Payments on letter of credit extension cost	(47,226)	-
Payments on note payable	(480,343)	(462,922)
<b>Net cash provided by financing activities</b>	<b>2,482,422</b>	<b>794,542</b>
<b>Increase in cash and cash equivalents</b>	<b>1,206,507</b>	<b>10,386,304</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>15,881,081</b>	<b>5,494,777</b>
<b>Cash and cash equivalents, end of year</b>	<b>\$ 17,087,588</b>	<b>\$ 15,881,081</b>
<b>Supplemental disclosure of cash flow information:</b>		
Cash paid for interest	\$ 1,317,112	\$ 1,363,100
Operating lease assets obtained in exchange for new operating lease liabilities	\$ -	\$ 1,683,977

*See accompanying notes to the consolidated financial statements.*

# Carnegie Endowment for International Peace

## Notes to the Consolidated Financial Statements

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### 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's mission, dating back more than a century, is to advance the cause of peace through independent analysis and the development of strategic ideas to help decision-makers in government, business and civil society take on the most difficult global problems.

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. The Endowment is now a unique global network with operations in Washington, DC and South and East Asia, the Middle East, and Europe.

Working together, the Endowment's network brings the inestimable benefit of multiple national viewpoints to bilateral, regional, and global issues. 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. The network is supervised by an international board of trustees, and its research activities are overseen by a global management group.

On April 8, 2022, the Endowment learned that its policy research center in Russia was included on a list of non-governmental organizations whose accreditation to operate in Russia had been withdrawn by the Government of Russia. As a result, the Endowment has closed its office in Russia, with the sole exception of a bank account in Russia that it is seeking to close and related final closing paperwork. The Endowment continues to produce Russia and Ukraine-focused content through its new Carnegie Politika site.

#### ***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") 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

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### *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, 2022 and 2021 approximate \$14.7 million and \$12.9 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

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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 \$98,435 and \$0, respectively as of June 30, 2022 and 2021.

### ***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

# Carnegie Endowment for International Peace

## Notes to the Consolidated Financial Statements

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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 agreement (see Note 8) is also considered a derivative instrument and is 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 contract. The fair value of the interest rate swap agreement is the estimated amount that the bank or financial institution

# Carnegie Endowment for International Peace

## Notes to the Consolidated Financial Statements

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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.

Change in the fair value of the interest rate swap agreement is 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.

Costs that are directly associated with construction an asset are capitalized. Once the asset is placed in service, all associated costs are reclassified to the appropriate property and equipment account and got 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, 2022 and 2021.

### ***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:



# Carnegie Endowment for International Peace

## Notes to the Consolidated Financial Statements

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### *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.

# Carnegie Endowment for International Peace

## Notes to the Consolidated Financial Statements

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### *Contributed nonfinancial assets*

Contributed nonfinancial assets recognized as revenue and expenses in the consolidated statement of activities and change in the net assets, none of which had donor-imposed restrictions, were comprised of:

<i>June 30,</i>		<b>2022</b>
IT equipment	\$	<b>21,583</b>
Legal services		<b>12,500</b>
Office space		<b>8,000</b>
<b>Total contributed nonfinancial assets</b>	<b>\$</b>	<b>42,083</b>

There were no contributed nonfinancial assets for the year ended June 30, 2021.

Contributed IT equipment is valued at the sale prices located on publicly available websites at the time of the donations. Donated legal services for the Endowment's global centers is valued and reported at the standard hourly rates normally charged for those services. Donated office space for the Endowment's California office is valued at the rent rate charged to the donor for the office space in accordance with the donor's lease. All donated services and assets were utilized by the Endowment's Asia, Carnegie California Initiative and IT programs and supporting services.

In the consolidated statements of functional expenses, management reported the utilization of the above contributed nonfinancial assets within "Program" and "Management and General" functions.

### *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.

# Carnegie Endowment for International Peace

## Notes to the Consolidated Financial Statements

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### *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 \$3,813,810 and \$875,947 in the fiscal years ended June 30, 2022 and 2021, respectively. Donated securities are reported at fair value.

### *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, American Statecraft, Carnegie California Initiative, IT and Communications 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

# Carnegie Endowment for International Peace

## Notes to the Consolidated Financial Statements

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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 2019. 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 September 2020, the FASB issued Accounting Standard Update (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. The Endowment adopted this standard on a retrospective basis effective July 1, 2020. As a result, contributed nonfinancial assets are now presented as a separate line item apart from contributions of cash or other financial assets in the consolidated statements of activities and changes in net assets. Additionally, the categories of recognized contributed nonfinancial assets, how the services were utilized, the valuation techniques and inputs used to arrive at a fair value measure and donor imposed restrictions, if any, related to contributed nonfinancial assets, are disclosed in Note 1 to the 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. On March 9, 2022, the Endowment entered into a revolving line of credit which accrues interest at a rate other than LIBOR as disclosed in Note 9. The adoption of this guidance did not have any material impact on the Endowment's consolidated financial statements.

### ***Recent accounting pronouncements not yet adopted***

In June 2016 the FASB issued ASU 2016-13, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. This ASU eliminates the requirement that a credit loss on a financial instrument be "probable" prior to recognition. Instead, a valuation allowance will be recorded to reflect an entity's current estimate of all expected credit losses, based on both historical and forecasted information related to an instrument. This ASU should be adopted using a modified retrospective approach, which applies a cumulative-effect adjustment to net assets as of the beginning of the first reporting period in which the guidance is effective. A prospective approach is required for debt securities for which an other-than-temporary impairment had been recognized before the effective date and loans and debt securities acquired with deteriorated credit quality. The amendments in the ASU are effective for annual reporting periods beginning after December 15, 2022. Early adoption of the ASU is permitted. The Endowment is

# Carnegie Endowment for International Peace

## Notes to the Consolidated Financial Statements

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evaluating the effect that adoption of this new standard will have on the Endowment's consolidated financial statements.

In March 2022, the FASB issued ASU 2022-03, *Fair Value Measurement of Equity Securities Subject to Contractual Sale Restrictions* (Topic 820). The amendments clarify that a contractual restriction on the sale of an equity security is not considered part of the unit of account of the equity security and, therefore, is not considered in measuring fair value. The amendments also clarify that an entity cannot, as a separate unit of account, recognize and measure a contractual sale restriction. This amendment also requires the following disclosures for equity securities subject to contractual sale restrictions: (1) The fair value of equity securities subject to contractual sale restrictions reflected in the balance sheet; (2) The nature and remaining duration of the restriction(s); and (3) The circumstances that could cause a lapse in the restriction(s). Early adoption is permitted, and the updates should be applied prospectively with any adjustments from the adoption of the amendments recognized in the change in net asset and disclosed on the date of adoption. For all non-public entities, this ASU is effective for fiscal years beginning after December 15, 2025. The Endowment is evaluating the effect that adoption of this new standard will have on the Endowment's consolidated financial statements.

### 2. Contributions Receivable

At June 30, 2022 and 2021, contributions receivable are expected to be received as follows:

	2022	2021
Less than one year	\$ 18,364,547	\$ 12,374,748
One to five years	11,005,630	15,556,967
Contributions receivable	29,370,177	27,931,715
Less: discounts to present value	(1,300,072)	(1,462,986)
Less: allowance for doubtful accounts	(98,435)	-
	<b>\$ 27,971,670</b>	<b>\$ 26,468,729</b>

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 4.00% for the years ended June 30, 2022 and 2021.

### 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

# Carnegie Endowment for International Peace

## Notes to the Consolidated Financial Statements

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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,

# Carnegie Endowment for International Peace

## Notes to the Consolidated Financial Statements

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, 2022:

	Fair Value Hierarchy Level				
	Total	Level 1	Level 2	Level 3	NAV **
<b>Investments:</b>					
Fixed income securities:					
U.S. Government and agency obligations (AAA Rated)	\$ 24,625,860	\$ 24,625,860	\$ -	\$ -	-
India Government and agency obligations (AAA Rated)	3,597,315	3,597,315	-	-	-
<b>Total fixed income securities</b>	<b>28,223,175</b>	<b>28,223,175</b>	-	-	-
Fund of fund:					
Hedge fund multi-strategy	189,785,818	-	-	-	189,785,818
Private equity multi-strategy	210,442,598	-	-	-	210,442,598
<b>Total fund of fund</b>	<b>400,228,416</b>	-	-	-	<b>400,228,416</b>
Money market funds	13,927,229	13,927,229	-	-	-
Futures variation margin	215,393	215,393	-	-	-
<b>Total investments</b>	<b>\$ 442,594,213</b>	<b>\$ 42,365,797</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$400,228,416</b>
<b>Liabilities:</b>					
Interest rate swap agreement	\$ 5,890,181	\$ -	\$ 5,890,181	\$ -	-
Other*	1,545,366	1,545,366	-	-	-
<b>Total fair value liabilities</b>	<b>\$ 7,435,547</b>	<b>\$ 1,545,366</b>	<b>\$ 5,890,181</b>	<b>\$ -</b>	<b>-</b>

\* 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.

# Carnegie Endowment for International Peace

## Notes to the Consolidated Financial Statements

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	
<b>Investments:</b>					
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	-	-	-
<b>Total fixed income securities</b>	<b>29,236,946</b>	<b>29,236,946</b>	<b>-</b>	<b>-</b>	<b>-</b>
Fund of fund:					
Hedge fund multi-strategy	256,230,620	-	-	-	256,230,620
Private equity multi-strategy	170,948,045	-	-	-	170,948,045
<b>Total fund of fund</b>	<b>427,178,665</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>427,178,665</b>
Money market funds	10,606,255	10,606,255	-	-	-
Futures variation margin	104,264	104,264	-	-	-
<b>Total investments</b>	<b>\$ 467,126,130</b>	<b>\$ 39,947,465</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 427,178,665</b>
<b>Liabilities:</b>					
Interest rate swap agreement	\$ 11,477,216	\$ -	\$ 11,477,216	\$ -	-
Other*	2,357,678	2,357,678	-	-	-
<b>Total fair value liabilities</b>	<b>\$ 13,834,894</b>	<b>\$ 2,357,678</b>	<b>\$ 11,477,216</b>	<b>\$ -</b>	<b>-</b>

\* 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.



# Carnegie Endowment for International Peace

## Notes to the Consolidated Financial Statements

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.

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>	2022			
	Fair Value	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Private equity multi-strategy (a)	\$ 210,442,598	\$ 94,510,722	Annually - unavailable	180 days
Hedge fund multi-strategy (b)	189,785,818	-	Monthly - Quarterly	90 days - 120 days
	<b>\$ 400,228,416</b>	<b>\$ 94,510,722</b>		

<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
	<b>\$ 427,178,665</b>	<b>\$ 126,211,142</b>		

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 97.73% of the value of the investments in this category have no redemptions as of June 30, 2022. Investments representing 2.27% of the value of the investments have annual redemptions with 180 days' notice as of June 30, 2022.

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 28.26% of the value of the investments in this category have monthly redemptions with 100 days' notice as of June 30, 2022. Investments representing

# Carnegie Endowment for International Peace

## Notes to the Consolidated Financial Statements

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16.32% of the value of the investments in this category have quarterly redemptions with 120 days' notice as of June 30, 2022. The remaining investments in this category, approximately 55.43%, have quarterly redemptions with 90 days' notice as of June 30, 2022.

### 4. Liquidity and Availability

As of June 30, 2022 and 2021, 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>	<b>2022</b>	<b>2021</b>
Financial assets at year-end:		
Cash and cash equivalents	\$ 17,087,588	\$ 15,881,081
Account receivable	427,304	354,872
Current contributions receivable	17,718,911	12,099,321
Investments	441,048,847	464,768,452
Total financial assets	476,282,650	493,103,726
Adjustments for amounts not available for general expenditures within one year:		
Net assets with donor restrictions	(442,507,650)	(462,165,907)
Annual appropriation from Andrew Carnegie's endowment available for spending	15,691,607	14,510,318
Availability of assets within one year	\$ 49,466,607	\$ 45,448,137

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. The Endowment has access to a \$10,000,000 revolving line of credit. The Endowment 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. There were no draws on the revolving line of credit and letter of credit as of June 30, 2022. Additionally, the Endowment has accumulated earnings of \$326,639,437 and \$1,494,540 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 15). The Endowment does not intend to spend beyond the annual board appropriation from these funds, although these amounts could be made available if necessary.

# Carnegie Endowment for International Peace

## Notes to the Consolidated Financial Statements

### 5. Property and Equipment

Property and equipment consist of the following at June 30:

	2022	2021
Building	\$ 25,514,065	\$ 17,932,192
Building - space leased out to tenants (Note 10)	9,000,777	10,286,622
Furniture and equipment	5,892,602	5,322,042
Land	6,374,592	6,374,592
Construction-in-progress	769,819	-
Total property and equipment	47,551,855	39,915,448
Less: accumulated depreciation	(14,444,656)	(15,816,763)
Property and equipment, net	\$ 33,107,199	\$ 24,098,685

Depreciation expenses on property and equipment totaled \$800,138 and \$882,318 for the years ended June 30, 2022 and 2021, 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 annually for the years ended June 30, 2022 and 2021, respectively. Accumulated amortization at June 30, 2022 and 2021, totaled \$43,995 and \$31,662 respectively. Note payable is presented net of unamortized issuance costs of \$17,505 and \$29,838 on the consolidated statement of financial position as of June 30, 2022 and 2021, respectively.

Interest expense relating to the Wells Fargo promissory note totaled \$36,138 and \$53,628 for the years ended June 30, 2022 and 2021, 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, 2022, are as follows:

*Years ending June 30,*

2023	\$	498,422
2024		256,202
		754,624
Less: Unamortized debt issuance costs		(17,505)
Total	\$	737,119

# Carnegie Endowment for International Peace

## Notes to the Consolidated Financial Statements

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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 annually for the years ended June 30, 2022 and 2021, respectively, and accumulated amortization at June 30, 2022 and 2021, totaled \$776,335 and \$753,049, 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 March 9, 2022 to extend the term to April 15, 2025 and expenses associated with such amendment of \$47,226 are being amortized over three years. Amortization expense and accumulated amortization totaled \$4,752 and \$0 annually for the years ended June 30, 2022 and 2021, respectively. There is no outstanding balance as it relates to the letter of credit at June 30, 2022 and 2021.

Bonds payable are presented net of unamortized bond issuance and letter of credit amendment costs of \$586,397 and \$567,209 on the consolidated statements of financial position as of June 30, 2022 and 2021, respectively.

Future minimum principal payments on the bonds at June 30, 2022, are as follows:

*Years ending June 30,*

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2023	\$	-
2024		-
2025		-
2026		-
2027		1,125,000
Thereafter		32,125,000
		<hr/>
Less: Unamortized debt issuance costs		(586,397)
		<hr/>
Total	\$	32,663,603

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Interest expense related to the variable rate demand bonds totaled \$247,324 and \$199,085 for the years ended June 30, 2022 and 2021, 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, 2022 and 2021, was 3.75%. The Endowment was in compliance with the financial and non-financial covenants related to the bonds.

# Carnegie Endowment for International Peace

## Notes to the Consolidated Financial Statements

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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, 2022, the Endowment paid out \$1,247,207 on the swap and received \$190,588 from Morgan Stanley on the swap, with the net of \$1,056,619 included in the 2006 bond interest expense. 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. At June 30, 2022 and 2021, a liability of \$5,890,181 and \$11,477,216, respectively, was recognized as the fair value of the interest rate swap agreement held with Morgan Stanley.

### 9. Revolving Line-Of-Credit

On March 9, 2022, the Endowment entered into an agreement for a \$10,000,000 revolving line of credit maturing on September 3, 2023. The interest rate on amount borrowed is calculated at daily simple secured overnight financing rate plus margin of 0.6% per annum. There was no balance outstanding on the line-of-credit as of June 30, 2022.

### 10. 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 consolidated statements 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 variable lease payments for June 30, 2022 and 2021 are \$1,699 and \$1,107, respectively. The leases do not contain residual value guarantees.

The Endowment has recorded the right of use of asset balance of \$1,052,515 and \$1,313,339 in the accompanying consolidated statements of financial position as of June 30, 2022 and 2021, respectively, for the following operating leases for its global centers' office space:

# Carnegie Endowment for International Peace

## Notes to the Consolidated Financial Statements

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- a) Office space for its operations in Moscow. The Endowment leased 255 square meters under this arrangement. The Endowment submitted six months advance notice to terminate the lease effective January 2023 in accordance with the lease terms. Rental payments under lease are 573,750 Russian Rubles per month (approximately \$130,664 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, 2024 and does not include an option to renewal. Rental payments under the lease are \$124,200 per year.
- 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 \$83,912) per year, adjusted annually for cost-of-living adjustment recorded in the year it occurs. The lease does not include an option to renew.
- 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 July 31, 2024. Rental payments under the lease are 6,375,000 Indian Rupees (approximately \$80,826) per year. The lease has an option to renew for an additional three years, however, the Endowment does not expect to exercise this option.

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 short-term lease costs for June 30, 2022 and 2021 are \$22,861 and \$22,461, respectively.

The Endowment's office spaces typically include non-lease components such as common-area maintenance costs, utilities, and other maintenance costs. The Endowment has elected to include non-lease components with lease payments for the purpose of calculating lease right-of-use assets and liabilities to the extent that they are fixed or variable based on an index or rate. Non-lease components that are not fixed are expenses as incurred as variable lease payments.

The maturity of the lease liability under the Endowment's operating leases as of June 30, 2022 is as follows:

*Years ending June 30,*

2023	\$	325,257
2024		325,257
2025		164,099
2026		92,993
2027		92,993
Thereafter		77,495
		1,078,094
Less: Effects of discounting		(13,786)
Lease liabilities recognized	\$	1,064,308

# Carnegie Endowment for International Peace

## Notes to the Consolidated Financial Statements

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

	2022	2021
Cash paid for amounts included in the measurement of lease liabilities - operating cashflows	\$ 317,084	\$ 409,343
Weighted-average remaining lease term	4.08 years	4.8 years
Weighted-average discount rate	0.64%	0.41%

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Rent expense under these operating leases for the years ended June 30, 2022 and 2021, totaled \$437,546 and \$440,737, respectively.

### 11. Leasing Arrangements as Lessor

The Endowment receives rental income from leasing approximately 26,000 square feet of space to 9 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 1,732 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 \$1,252,346 and \$1,629,985 for the years ended June 30, 2022 and 2021, respectively.

Future minimum rental payments to be received at June 30, 2022, are as follows:

*Years ending June 30,*

2023	\$	671,945
2024		531,140
2025		224,596
2026		69,867
2027		60,212
Thereafter		60,212
	\$	1,617,972

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### 12. 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 \$1,625,915 and \$1,612,372 for the years ended June 30, 2022 and 2021, respectively.

### 13. Related Party Transactions

During the years ended June 30, 2022 and 2021, trustees of the Endowment gave contributions of \$12,293,911 and \$9,573,847, respectively, to support the Endowment's operations.

# Carnegie Endowment for International Peace

## Notes to the Consolidated Financial Statements

### 14. Net Assets with Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes or periods at June 30, 2022 and 2021:

	June 30, 2022			
	Beginning Balance	Additions, net of investment return/(loss)	Released from Restrictions	Ending Balance
<b>Subject to expenditure for specific purposes and time:</b>				
Global Vision	\$ 17,643,837	\$ (1,623,776)	\$ (879,255)	\$ 15,140,806
Asia Program	8,029,057	2,664,708	(1,990,008)	8,703,757
Junior Fellow Chair	8,101,834	(790,351)	(275,068)	7,036,415
Middle East Program	4,253,121	2,001,022	(2,393,741)	3,860,402
Democracy, Conflict, and Governance Program	3,642,736	2,161,992	(1,270,382)	4,534,346
Russia Eurasia Program	8,162,508	956,432	(1,568,748)	7,550,192
South Asia Program	3,443,139	1,659,588	(1,419,836)	3,682,891
Cyber Policy Initiative	3,587,952	8,844	(1,277,633)	2,319,163
Nuclear Policy Program	6,682,580	2,461,274	(1,308,636)	7,835,218
American Statecraft Program	1,756,434	1,034,732	(1,690,954)	1,100,212
Europe Program	4,813,756	2,261,277	(1,671,398)	5,403,635
Visiting Distinguished Statesman John Kerry Program	793,393	51,850	(244,612)	600,631
Technology & International Affairs Program	2,194,731	896,941	(1,150,697)	1,940,975
US Program	6,314,587	7,717,862	(406,684)	13,625,765
Time Restrictions	11,913,410	2,515,664	(4,191,333)	10,237,741
	<b>91,333,075</b>	<b>23,978,059</b>	<b>(21,738,985)</b>	<b>93,572,149</b>

### Endowments:

Subject to the Foundation's endowment spending policy:

Original Endowment Funds	357,410,275	(6,260,520)	(14,510,318)	336,639,437
South Asia Program	4,999,906	(84,444)	(214,150)	4,701,312
Junior Fellow Chair	3,426,486	(283,790)	(116,861)	3,025,835
Middle East Program	2,351,909	(216,604)	(19,001)	2,116,304
Global Vision	2,644,256	(73,757)	(117,886)	2,452,613
	<b>370,832,832</b>	<b>(6,919,115)</b>	<b>(14,978,216)</b>	<b>348,935,501</b>
	<b>\$ 462,165,907</b>	<b>\$ 17,058,944</b>	<b>\$ (36,717,201)</b>	<b>\$ 442,507,650</b>



# Carnegie Endowment for International Peace

## Notes to the Consolidated Financial Statements

	June 30, 2021			
	Beginning Balance	Additions, net of investment return/(loss)	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

## 15. 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

# Carnegie Endowment for International Peace

## Notes to the Consolidated Financial Statements

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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.

# Carnegie Endowment for International Peace

## Notes to the Consolidated Financial Statements

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### *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, 2022 and 2021, 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>	<b>2022</b>	<b>2021</b>
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	10,801,524	10,787,768
	<b>20,801,524</b>	<b>20,787,768</b>
Accumulated investment gains	<b>328,133,977</b>	<b>350,045,064</b>
<b>Total endowment funds</b>	<b>\$ 348,935,501</b>	<b>\$ 370,832,832</b>

Changes in endowment net assets for the years ended June 30, 2022 and 2021 are as follows:

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)
<b>Endowment net assets, June 30, 2021</b>	<b>370,832,832</b>
Investment loss, net	(7,115,296)
Contributions	196,181
Amounts appropriated for expenditure	(14,978,216)
<b>Endowment net assets, June 30, 2022</b>	<b>\$ 348,935,501</b>

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.

# Carnegie Endowment for International Peace

## Notes to the Consolidated Financial Statements

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### **16. Risks and Uncertainties**

On March 11, 2020, the World Health Organization declared the novel coronavirus a global pandemic. While there has been progress in developing and distributing COVID-19 vaccines, there continues to be uncertainty around the breadth and duration of the business disruption globally, as well as its impact on the global economy. Nonetheless, the Endowment will continue to monitor the financial and business implications of the pandemic on its operations and will implement new strategies as appropriate. See Note 4 for information regarding the Endowment's liquidity and availability of resources.

### **17. Subsequent Events**

Subsequent events have been evaluated by management through October 13, 2022, 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.