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

COUNCIL ON FOREIGN RELATIONS, INC.

June 30, 2019 and 2018

COUNCIL ON FOREIGN RELATIONS, INC.

TABLE OF CONTENTS

	Page
Report of Independent Certified Public Accountants	1 - 2
Financial Statements	
Statements of Financial Position as of June 30, 2019 and 2018	3
Statement of Activities for the year ended June 30, 2019	4
Statement of Activities for the year ended June 30, 2018	5
Statement of Functional Expenses for the year ended June 30, 2019, with comparative totals for 2018	6 - 7
Statements of Cash Flows for the years ended June 30, 2019 and 2018	8
Notes to Financial Statements	9 - 33

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

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

Report on the financial statements

We have audited the accompanying financial statements of the Council on Foreign Relations, Inc. ("CFR"), which comprise the statements of financial position as of June 30, 2019 and 2018 and the related statements of activities and cash flows for the years then ended, the related statement of functional expenses for the year ended June 30, 2019, and the related notes to the financial statements.

Management's responsibility for the financial statements

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

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to CFR's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of CFR's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

Grant Thornton

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Council on Foreign Relations, Inc. as of June 30, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Grant Thornton LLP

New York, New York
October 10, 2019

COUNCIL ON FOREIGN RELATIONS, INC.
Statements of Financial Position
As of June 30, 2019 and 2018

Assets		**2019**		**2018**
Cash and cash equivalents *(Notes 2 and 13)*	$	33,648,800	$	25,995,200
Accounts receivable, net *(Notes 2 and 13)*		3,178,000		2,107,500
Prepaid expenses		1,040,400		1,001,900
Grants and contributions receivable, net *(Notes 2 and 4)*		23,569,900		26,363,900
Contributions receivable for endowment, net *(Notes 2, 4, and 10)*		20,136,100		22,495,500
Inventory *(Note 2)*		52,700		65,500
Investments *(Notes 2, 3, 11, and 13)*		475,831,800		448,130,400
Land, buildings and building improvements, and equipment, net *(Notes 2 and 5)*		68,866,000		71,086,300
Total assets	$	626,323,700	$	597,246,200
Liabilities				
Accounts payable and accrued expenses *(Notes 2, 5, and 6)*	$	8,515,200	$	7,983,400
Deferred revenue *(Note 2)*		6,523,400		6,078,300
Accrued postretirement benefits *(Note 7)*		5,852,000		5,248,000
Interest-rate swap agreement *(Notes 2, 8, and 11)*		6,912,200		3,858,900
Bonds payable *(Note 8)*		52,493,200		54,520,000
Total liabilities		80,296,000		77,688,600
Commitments *(Note 12)*				
Net assets *(Note 2)*				
Without donor restrictions		116,990,300		101,475,600
With donor restrictions *(Notes 9 and 10)*		429,037,400		418,082,000
Total net assets		546,027,700		519,557,600
Total liabilities and net assets	$	626,323,700	$	597,246,200

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

COUNCIL ON FOREIGN RELATIONS, INC.
Statement of Activities
For the year ended June 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Operating revenue and support			
Membership dues	$ 7,337,600	$ -	$ 7,337,600
Annual giving	10,497,000	-	10,497,000
Corporate memberships and related income	5,934,700	172,700	6,107,400
Grants and contributions	2,065,100	22,960,500	25,025,600
Foreign Affairs publications	9,238,200	-	9,238,200
Investment return used for current operations *(Note 3)*	5,512,600	15,072,100	20,584,700
Rental income	1,967,100	-	1,967,100
Miscellaneous	952,200	-	952,200
Net assets released from restrictions *(Note 9)*	32,481,200	(32,481,200)	-
Total operating revenue and support	75,985,700	5,724,100	81,709,800
Operating expenses			
Program expenses:			
Studies Program	23,551,800	-	23,551,800
Task Force	297,600	-	297,600
NY meetings	1,378,500	-	1,378,500
DC Programs	1,881,300	-	1,881,300
Special events	1,217,100	-	1,217,100
Foreign Affairs	10,417,800	-	10,417,800
National Program	1,429,400	-	1,429,400
Outreach Program	2,016,500	-	2,016,500
Term member	526,600	-	526,600
Digital Program	5,638,100	-	5,638,100
Education Program	3,752,300	-	3,752,300
Global Board of Advisors	102,300	-	102,300
Total program expenses	52,209,300	-	52,209,300
Supporting services			
Fundraising:			
Development	2,454,900	-	2,454,900
Corporate Program	2,166,500	-	2,166,500
Total fundraising	4,621,400	-	4,621,400
Management and general	17,040,900	-	17,040,900
Membership	1,792,500	-	1,792,500
Total supporting services	23,454,800	-	23,454,800
Total operating expenses	75,664,100	-	75,664,100
Excess of operating revenue and support over operating expenses	321,600	5,724,100	6,045,700
Nonoperating activities *(Note 2)*			
Investment loss in excess of spending rate *(Notes 2 and 3)*	(2,357,400)	(5,821,700)	(8,179,100)
Endowment contributions *(Note 4)*	20,650,000	11,606,800	32,256,800
Change in value of interest-rate swap agreement *(Notes 2 and 8)*	(3,053,300)	-	(3,053,300)
Other	553,800	(553,800)	-
Total nonoperating activities	15,793,100	5,231,300	21,024,400
Changes in net assets before postretirement changes other than net periodic costs *(Note 7)*	16,114,700	10,955,400	27,070,100
Postretirement changes other than net periodic costs	(600,000)	-	(600,000)
Changes in net assets	15,514,700	10,955,400	26,470,100
Net assets, beginning of year	101,475,600	418,082,000	519,557,600
Net assets, end of year	$ 116,990,300	$ 429,037,400	$ 546,027,700

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

COUNCIL ON FOREIGN RELATIONS, INC.
Statement of Activities
For the year ended June 30, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
Operating revenue and support			
Membership dues	$ 6,960,000	$ -	$ 6,960,000
Annual giving	10,600,500	-	10,600,500
Corporate memberships and related income	5,194,500	197,000	5,391,500
Grants and contributions	1,527,300	29,999,400	31,526,700
Foreign Affairs publications	9,489,800	-	9,489,800
Investment return used for current operations (*Note 3)*	5,336,900	14,078,200	19,415,100
Rental income	1,979,100	-	1,979,100
Miscellaneous	489,700	-	489,700
Net assets released from restrictions (*Note 9)*	31,469,600	(31,469,600)	-
Total operating revenue and support	73,047,400	12,805,000	85,852,400
Operating expenses			
Program expenses:			
Studies Program	24,434,900	-	24,434,900
Task Force	425,900	-	425,900
NY meetings	1,557,400	-	1,557,400
DC programs	1,728,400	-	1,728,400
Special events	1,154,300	-	1,154,300
Foreign Affairs	10,354,600	-	10,354,600
National Program	1,351,400	-	1,351,400
Outreach Program	1,974,400	-	1,974,400
Term member	366,500	-	366,500
Digital Program	5,389,900	-	5,389,900
Education Program	2,450,000	-	2,450,000
Global Board of Advisors	86,700	-	86,700
Total program expenses	51,274,400	-	51,274,400
Supporting services			
Fundraising:			
Development	2,542,000	-	2,542,000
Corporate Program	1,764,100	-	1,764,100
Total fundraising	4,306,100	-	4,306,100
Management and general	15,403,600	-	15,403,600
Membership	1,688,000	-	1,688,000
Total supporting services	21,397,700	-	21,397,700
Total operating expenses	72,672,100	-	72,672,100
Excess of operating revenue and support over operating expenses	375,300	12,805,000	13,180,300
Nonoperating activities (*Note 2)*			
Investment gain in excess of spending rate (*Notes 2 and 3)*	409,600	9,305,800	9,715,400
Endowment contributions (*Note 4)*	-	12,285,400	12,285,400
Change in value of interest-rate swap agreement (*Notes 2 and 8*)	2,258,500	-	2,258,500
Other	954,000	-	954,000
Reclassification of gift proceeds due to clarified donor intent	24,847,700	(24,847,700)	-
Total nonoperating activities	28,469,800	(3,256,500)	25,213,300
Changes in net assets before postretirement changes other than net periodic costs (*Note 7)*	28,845,100	9,548,500	38,393,600
Postretirement changes other than net periodic costs	646,000	-	646,000
Changes in net assets	29,491,100	9,548,500	39,039,600
Net assets, beginning of year	71,984,500	408,533,500	480,518,000
Net assets, end of year	$ 101,475,600	$ 418,082,000	$ 519,557,600

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

COUNCIL ON FOREIGN RELATIONS, INC.
Statement of Functional Expenses
For the year ended June 30, 2019, with comparative totals for 2018

	Program Services												
	Studies Program	Task Force	NY Meetings	DC Programs	Special Events	*Foreign Affairs*	National Program	Outreach Program	Term Member	Digital Program	Education Program	Global Board of Advisors	Total Programs
Salaries and wages	$ 10,576,500	$ 168,000	$ 471,000	$ 784,300	$ 552,200	$ 3,525,500	$ 430,800	$ 773,200	$ 178,900	$ 2,900,500	$ 1,608,000	$ 7,400	$ 21,976,300
Other compensation	836,400	17,000	68,900	102,100	204,100	499,800	64,800	121,000	25,000	362,800	193,000	600	2,495,500
Payroll taxes and employee benefits	3,108,400	49,900	141,900	230,400	165,400	1,065,600	127,300	232,300	52,400	878,500	473,500	2,500	6,528,100
Meeting expenses	558,000	4,500	423,600	360,600	2,500	55,600	522,600	227,900	157,900	8,000	6,800	38,700	2,366,700
Printing, publication, and promotion expenses	75,800	1,100	5,200	5,200	16,300	2,257,100	9,700	35,000	2,400	106,600	35,700	2,700	2,552,800
Research materials	275,600	100	10,700	26,600	300	63,500	8,600	33,400	100	18,700	18,200	400	456,200
Travel-related expenses	877,500	13,000	37,800	77,600	6,800	73,300	83,200	213,800	45,700	79,900	31,800	21,200	1,561,600
Administration and finance expenses	1,193,200	4,900	6,900	35,500	15,200	343,300	7,500	28,800	4,400	65,900	28,400	-	1,734,000
Interest expenses	848,200	7,600	-	75,900	23,200	-	-	64,800	-	92,800	-	-	1,112,500
Depreciation	1,264,800	1,200	71,500	12,500	73,100	381,500	51,000	61,700	11,300	285,500	140,500	17,100	2,371,700
Business expenses	107,400	1,900	14,000	10,800	6,300	411,500	10,400	34,400	4,500	27,200	17,900	1,500	647,800
Operations	570,700	2,200	21,900	21,800	27,600	112,300	14,800	33,300	3,300	104,900	40,700	5,000	958,500
Professional services	2,373,700	11,200	67,800	60,200	77,900	983,800	54,900	90,000	19,900	480,100	704,500	5,200	4,929,200
Information technology	885,600	15,000	37,300	77,800	46,200	645,000	43,800	66,900	20,800	226,700	453,300	-	2,518,400
Total expenses	$ 23,551,800	$ 297,600	$ 1,378,500	$ 1,881,300	$ 1,217,100	$ 10,417,800	$ 1,429,400	$ 2,016,500	$ 526,600	$ 5,638,100	$ 3,752,300	$ 102,300	$ 52,209,300

COUNCIL ON FOREIGN RELATIONS, INC.
Statement of Functional Expenses (con't)
For the year ended June 30, 2019, with comparative totals for 2018

		Supporting Services						
	Total Programs	Development	Corporate Program	Management and General	Membership	Total Supporting	2019 Total	2018
Salaries and wages	$ 21,976,300	$ 1,285,300	$ 1,002,300	$ 4,633,100	$ 669,400	$ 7,590,100	$ 29,566,400	$ 27,975,400
Other compensation	2,495,500	149,500	120,200	3,288,100	89,500	3,647,300	6,142,800	5,404,400
Payroll taxes and employee benefits	6,528,100	399,300	303,000	1,206,300	198,500	2,107,100	8,635,200	8,376,100
Meeting expenses	2,366,700	151,800	232,500	218,300	21,800	624,400	2,991,100	2,951,100
Printing, publication, and promotion expenses	2,552,800	9,200	19,500	32,700	240,000	301,400	2,854,200	2,884,200
Research materials	456,200	28,000	22,600	102,500	46,400	199,500	655,700	578,200
Travel-related expenses	1,561,600	77,700	93,200	150,100	18,600	339,600	1,901,200	1,977,200
Administration and finance expenses	1,734,000	26,800	33,000	990,200	302,100	1,352,100	3,086,100	1,854,100
Interest expenses	1,112,500	-	64,000	897,400	-	961,400	2,073,900	2,547,200
Depreciation	2,371,700	131,600	72,000	1,678,700	69,200	1,951,500	4,323,200	4,688,500
Business expenses	647,800	20,400	8,000	291,000	11,400	330,800	978,600	1,126,000
Operations	958,500	40,300	36,200	1,643,200	20,100	1,739,800	2,698,300	2,029,200
Professional services	4,929,200	66,500	73,100	1,176,300	44,200	1,360,100	6,289,300	7,153,300
Information technology	2,518,400	68,500	86,900	733,000	61,300	949,700	3,468,100	3,127,200
Total expenses	$ 52,209,300	$ 2,454,900	$ 2,166,500	$ 17,040,900	$ 1,792,500	$ 23,454,800	$ 75,664,100	$ 72,672,100

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

COUNCIL ON FOREIGN RELATIONS, INC.
Statements of Cash Flows
For the years ended June 30, 2019 and 2018

	2019	2018
Cash flows from operating activities:		
Changes in net assets	$ 26,470,100	$ 39,039,600
Adjustments to reconcile changes in net assets to net cash used in operating activities:		
Depreciation	4,323,400	4,688,600
Change in discount on grants and contributions and contributions for endowment receivable	(630,000)	711,000
Change in fair value of interest-rate swap agreement	3,053,300	(2,258,600)
Net realized and unrealized (gain) loss on investments	(8,840,600)	(27,226,600)
Bad debt expense	1,635,600	317,100
Contributions restricted for investment in endowment	(32,256,900)	(12,285,400)
Changes in operating assets and liabilities:		
Accounts receivable	(2,706,000)	74,800
Prepaid expenses	(38,500)	(84,700)
Grants and contributions receivable	3,424,000	(4,749,400)
Inventory	12,900	21,400
Accounts payable and accrued expenses	531,700	586,500
Deferred revenue	445,100	(550,900)
Accrued postretirement benefits	604,000	(596,000)
Net cash used in operating activities	(3,971,900)	(2,312,600)
Cash flows from investing activities:		
Purchases of building improvements and equipment	(2,185,500)	(3,146,600)
Proceeds from sale of fixed asset	82,600	-
Purchases of investments	(350,073,100)	(152,707,200)
Proceeds from sales of investments	331,212,000	136,771,800
Net cash used in investing activities	(20,964,000)	(19,082,000)
Cash flows from financing activities:		
Contributions restricted for investment in endowment	34,616,300	12,492,100
Principal payments on bonds payable	(2,026,800)	(1,765,000)
Net cash provided by financing activities	32,589,500	10,727,100
Net increase in cash and cash equivalents	7,653,600	(10,667,500)
Cash and cash equivalents, beginning of year	25,995,200	36,662,700
Cash and cash equivalents, end of year	$ 33,648,800	$ 25,995,200
Supplemental disclosure of cash flow information:		
Interest paid on bonds	$ 2,073,900	$ 2,547,200

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

1. ORGANIZATION AND NATURE OF ACTIVITIES

Council on Foreign Relations, Inc. ("CFR") is an independent, nonpartisan membership organization, think tank, and publisher dedicated to being a resource for its members, government officials, business executives, journalists, educators and students, civic and religious leaders, and other interested citizens, in order to help them better understand the world and the foreign policy choices facing the United States and other countries. Founded in 1921, CFR takes no institutional positions on matters of policy. CFR carries out its mission by maintaining a diverse membership; convening meetings at its headquarters in New York, and in Washington, DC, and other cities where senior government officials, members of Congress, global leaders, and prominent thinkers come together with CFR members to discuss and debate major international issues; supporting a Studies Program that fosters independent research; publishing *Foreign Affairs*, the preeminent journal on international affairs and U.S. foreign policy; sponsoring Independent Task Forces; and, providing up-to-date information and analysis about world events and American foreign policy on its website, CFR.org.

CFR is a Section 501(c)(3) not-for-profit organization, incorporated in the State of New York, exempt from federal income taxes under Section 501(a) of the Internal Revenue Code (the "Code" or "IRC") and is a publicly supported organization, as described in Section 509(a)(1) of the Code. CFR is also exempt from state and local income taxes.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

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

Cash and Cash Equivalents

CFR considers all highly liquid investments purchased with original maturities of three months or less, excluding cash and money market funds held in investments, to be cash equivalents.

Allowance for Doubtful Accounts

As of June 30, 2019 and 2018, CFR determined that an allowance for uncollectible accounts of $179,800 and $134,000, respectively, is necessary for certain uncollectible membership and *Foreign Affairs* receivables. In addition, CFR determined that no allowance is necessary for grants and contributions receivable, and contributions receivable for its endowment as of June 30, 2019 and 2018. This determination is based on a combination of factors, such as management's estimate of the creditworthiness of its members and contributors, a review of individual accounts outstanding, the aged basis of receivables, current economic conditions, and historical collection experience. Receivables are written-off in the net asset category in which they reside when determined to be uncollectible.

Investments

CFR's investments in marketable debt and equity securities are recorded at fair value based on quoted market prices as of the measurement date. Donated securities are recorded at fair value as determined on the date received. Interest income is recorded on an accrual basis and dividend income is recorded based on the ex-dividend date.

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

CFR’s investments in alternative investment companies are carried at the aggregate net asset value (“NAV”) of the shares held by CFR. The NAV is based on the fair value of the respective alternative investment company’s investment portfolio, as determined by the management of the alternative investment company as of the measurement date. CFR’s investments in alternative investment companies are primarily in limited partnerships.

In certain instances, CFR’s ability to liquidate its investments in limited partnerships is restricted in accordance with the provisions of the respective partnership agreement.

The reported value of CFR’s investments that do not have readily determinable fair values is determined on an estimated basis by the investment managers as of the measurement date. Because of the inherent uncertainty of valuation, the fair values determined by the investment managers may differ from values that would be used had a ready market for these investments existed, and such differences could be material. The financial statements of the investees are audited annually by independent auditors. Investment income and gains (losses) attributable to CFR pertaining to these funds are recorded on the accrual basis of accounting in the accompanying financial statements.

Land, Buildings and Building Improvements, and Equipment

Land, buildings and building improvements, and equipment are stated at cost if purchased or at fair value at the date of gift if donated, less accumulated depreciation. These amounts do not purport to represent replacement or realizable values. CFR capitalizes expenditures for land, buildings and building improvements, and equipment having a cost of $1,500 or more and which have useful lives of greater than three years. Depreciation is provided on the straight-line basis over the estimated useful lives of these assets (see Note 5).

Costs incurred for repairs, maintenance, and minor improvements that do not substantially extend an asset’s useful life are charged to expense as incurred. Major improvements, which substantially extend the useful lives of assets, are capitalized.

Inventory

Inventory consists primarily of paper that is stored offsite and used in the printing of the bimonthly publication *Foreign Affairs*. Inventory is stated at the lower of cost (first-in, first-out method) or market.

Deferred Subscription Revenue

CFR’s subscriptions are recognized as revenue ratably over the applicable period. Deferred revenue represents subscription payments received in advance.

Net Asset Classifications

In August 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2016-14, Not-for-Profit Entities (Topic 958): *Presentation of Financial Statements of Not-for-Profit Entities* (“ASU 2016-14”). The ASU amends the current reporting model for not-for-profit organizations and requires certain additional disclosures. The significant changes include:

- Requiring the presentation of two net asset classes - “net assets without donor restrictions” and “net assets with donor restrictions”;
- Modifying the presentation of underwater endowment funds and related disclosures;
- Requiring the use of the placed in service approach to recognize the satisfaction of restrictions on gifts used to acquire or construct long-lived assets, absent explicit donor stipulations otherwise;
- Requiring that all not-for-profits present an analysis of expenses by function and nature either in a separate statement or in the notes to the financial statements;
- Requiring disclosure of quantitative and qualitative information on liquidity;
- Presenting investment return net of external and direct internal investment expenses; and
- Modifying other financial statement reporting requirements and disclosures intended to increase the usefulness to the reader.

A presentation of net assets as previously reported as of June 30, 2018, and then as required under ASU 2016-14 follows:

	June 30, 2018			
		Presentation under ASU 2016-14		
	As Previously Presented	Without Donor Restrictions	With Donor Restrictions Restricted	Total
Net assets:				
Unrestricted	$101,475,600	$ 101,475,600	$ -	$ 101,475,600
Temporarily restricted	182,432,100	-	182,432,100	182,432,100
Permenatly restructed	235,649,900	-	235,649,900	235,649,900
Total net assets	$519,557,600	$ 101,475,600	$ 418,082,000	$ 519,557,600

Net assets and changes in net assets are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets are classified and reported as follows:

Net Assets Without Donor Restrictions

Represent net assets which are not subject to donor-imposed stipulations and are fully available to be utilized in any of CFR’s programs or supporting services. Net assets without donor restrictions include amounts designated for specific purposes by CFR’s Board of Directors.

Net Assets With Donor Restrictions

Represent net assets which are subject to donor-imposed stipulations whose use is restricted by time and/or purpose. A portion of CFR's net assets with donor restrictions requires CFR to use or expend the gifts as specified, based on purpose or passage of time.

Accounting for Uncertainty in Income Taxes

CFR has adopted the provisions of the Accounting Standard Codification ("ASC") 740, *Accounting for Uncertainties in Income Taxes*. ASC 740-10 clarifies the accounting for uncertainty in tax positions taken or expected to be taken in a tax return, including issues relating to financial statement recognition and measurement. This section provides that the tax effects from an uncertain tax position can be recognized in the financial statements only if the position is "more-likely-than-not" to be sustained if the position were to be challenged by a taxing authority. The assessment of the tax position is based solely on the technical merits of the position, without regard to the likelihood that the tax position may be challenged.

CFR is exempt from federal and New York State income taxation by virtue of being an organization described in Section 501(c)(3) of the IRC and similar provisions of the New York State tax code. Nevertheless, CFR may be subject to tax on income unrelated to its exempt purpose, unless that income is otherwise excluded by the Code. CFR believes that there are no material uncertain tax positions within its financial statements.

Support and Revenue

Contributions (including unconditional promises to give) are recorded when received at fair value. Contributions received with donor stipulations that limit the use of the donated assets are reported as part of net assets with donor restrictions (restricted support). Unconditional promises to give, with payments due in future years, are reported as part of net assets with donor restrictions, discounted to present value using credit adjusted discount rates which articulate with the collection period of the respective pledge. Such discounts are not subsequently revised and are amortized over the collection period of the respective pledge as additional contribution revenue in accord with donor stipulated restrictions, if any.

Conditional contributions, such as grants with matching requirements, are recognized in the appropriate net asset class when the conditions on which they depend have been satisfied. Bequests are recognized as receivables at the time unassailable rights to the gifts have been established and the proceeds are measurable.

Membership dues are recorded as revenue over the period to which the dues relate.

Rental Income

Rental income includes income derived from renting space at CFR's New York office location for various events as well as sublease rental income, for CFR's DC office location, which is recorded over the term of the lease, based on fixed monthly payments. No deferred rent liability or asset is required to be recorded as of June 30, 2019 and 2018, in accordance with U.S. GAAP.

***Foreign Affairs* Publication**

Foreign Affairs is a bimonthly magazine published by CFR dedicated to improving the understanding of U.S. foreign policy and international affairs through the free exchange of ideas. Subscription, advertising, and other publishing revenues pertaining to *Foreign Affairs* are recorded in the relevant period in accordance with U.S. GAAP.

Postretirement Benefits

U.S. GAAP requires an employer to: (a) recognize on its statement of financial position an asset for a plan's overfunded status or a liability for a plan's underfunded status; (b) measure a plan's assets and its obligations that determine its funded status as of the end of the employer's fiscal year; and (c) recognize changes in the funded status of a defined benefit postretirement plan in the year in which the changes occur.

Interest-Rate Swap Agreement

CFR uses an interest-rate swap agreement as part of its risk management strategy to manage exposure to fluctuations in interest rates and to manage the overall cost of its variable rate debt. The interest-rate swap agreement was not entered into for trading or speculative purposes and does not qualify as a hedge for financial reporting purposes. In accordance with U.S. GAAP, the interest-rate swap agreement is measured at fair value and recognized as either an asset or a liability as of the measurement date. Changes in fair value are recorded as part of nonoperating activities on the statement of activities.

Measure of Operations

CFR includes in its definition of operations all revenues and expenses that are an integral part of its programs and supporting activities, including a Board authorized investment income allocation and all contributions, except for those that pertain to the establishment of permanent endowments. Investment income, including net realized and unrealized gains and losses, earned in excess of (or less than) CFR's aggregate authorized spending amount for operations, the change in value of the interest-rate swap agreement, endowment contributions, and other items that are considered to be unusual or non-recurring in nature are recognized as part of nonoperating activities.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Allocation of Expenses

The costs of operating CFR's various programs and providing the related supporting services are summarized on a functional basis on the statements of activities and functional expenses. Accordingly, certain costs have been allocated amongst the programs and supporting services benefited, principally based on square footage occupied by the respective functional areas.

Concentration

Cash and cash equivalents that potentially subject CFR to concentrations of credit risk include cash accounts with banks that exceed the Federal Deposit Insurance Corporation ("FDIC") insurance limits. Interest-bearing accounts are insured up to $250,000 per depositor. Through December 31, 2012, noninterest-bearing accounts were fully insured. Beginning in 2013, noninterest-bearing accounts are insured similarly to interest-bearing accounts. As of June 30, 2019 and 2018, there is approximately $30,377,000 and $23,069,400, respectively, of cash and cash equivalents held in banks that exceed FDIC insurance limits. Such excess amounts include outstanding checks. CFR routinely monitors the financial institutions in which it transacts with and does not believe a significant risk of nonperformance presently exists.

Subsequent Events

CFR has evaluated, for potential recognition and disclosure, events subsequent to the date of its financial statements through October 10, 2019, the date the financial statements were available to be issued. No events have occurred subsequent to June 30, 2019, that would require adjustment to or disclosure in the accompanying financial statements.

3. INVESTMENTS

The components of CFR's investment portfolio as of June 30, 2019 and 2018, are as follows:

	2019	2018
Cash and cash equivalents	$ 9,860,200	$ 82,682,900
Long-only equities	164,385,700	134,319,300
Deflation hedges and fixed income	107,290,700	7,395,300
Subtotal	281,536,600	224,397,500
Alternative investments:		
Growth-oriented hedge funds and venture capital	52,088,100	58,947,700
Diversifiers	121,077,700	112,141,100
Private equity	16,938,700	17,539,500
Private hard assets	4,190,700	5,118,700
Subtotal	194,295,200	193,747,000
Pending investment purchases	-	6,985,900
Investment redemption reeivables	-	23,000,000
Total	$ 475,831,800	$ 448,130,400

Amounts reflected as pending investment purchases in the table above reflect cash disbursed to investment funds that have not yet been credited to CFR's capital account as of June 30, 2018. Such purchases settled subsequent to year-end. Similarly, CFR submitted redemption requests relative to certain of its investment funds, which remained outstanding, as of June 30, 2018. Such amounts have been reflected as investment redemption receivables in the table above and were collected in full subsequent to year-end.

Growth-oriented assets are long-only equities and growth-oriented hedge funds include all equity and equity-like investments in the portfolio. This allocation will exhibit high correlation to the equity markets and generally have equity-like volatility. This allocation also includes private hard assets given their equity-like characteristics, although these investments may also help protect against unexpected inflation.

The expected return from growth-oriented assets varies; global equities have returned roughly 9.9 percent in real terms based on annualized trailing 3 years.

Long-only equities include investments in public equities and, therefore, a high beta and correlation with equity markets. Diversification across market cap, geographic region, and sector are important for providing long-term growth to the portfolio. Return expectations track closely with global equities.

Deflation hedges include fixed income investments. This allocation will generally protect value during an economic contraction as investors flee to quality. Since cash and fixed income exhibit low volatility and are liquid in nature, these investments can provide a source of funding during times of market stress. The return expectation for this asset class is typically around 3 to 4 percent for U.S. and developed-market government bonds based on historical assumptions.

Alternative investments include the following as of June 30, 2019 and 2018:

A. Growth-oriented hedge funds include long-biased long/short equity and distressed credit managers, given their equity-like characteristics. Given the hedged exposure, return expectations are slightly lower than equities.

B. Diversifiers include investments that exhibit generally low correlation to equity markets and lower volatility than public equities. By providing differentiated sources of return and strong downside protection, the diversifiers improve the overall portfolio's risk/return characteristics. The return expectation from this asset class is typically between equities and bonds and varies based on the respective strategy employed.

C. Private equity funds include investments in private companies using a long investment time horizon of seven-plus years. Private equity funds exhibit equity-like characteristics given their reliance on debt financing, mergers and acquisitions, and equity markets for exits. Return expectations are slightly higher than global equities to compensate for the longer lock-up periods.

D. Private hard assets are nonpublic investments in oil and gas, timber, and other natural resources that exhibit equity-like characteristics and may also help protect against unexpected inflation. Private hard assets tend to be sensitive to commodity prices as well as mergers and acquisitions and debt and equity markets. Return expectations are typically slightly higher than global equities to compensate for the longer lock-up periods.

As of June 30, 2019 and 2018, CFR has unfunded commitments to limited partnerships totaling approximately $11.4 million and $5.6 million, respectively, and intends to sell a portion of its other investments to fund these commitments. Such purchase commitments as of June 30, 2019 are expected to be satisfied by fiscal year 2025.

Investments, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. As such, it is reasonably possible that changes in the fair values of investments will occur in the near-term and that such changes could materially affect the amounts reported on the accompanying financial statements.

Investment return (loss) consists of the following for the years ended June 30, 2019 and 2018:

	2019		
	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
Dividends and interest	$ 1,405,700	$ 4,120,400	$ 5,526,100
Realized gains	10,796,900	31,649,300	42,446,200
Unrealized loss	(8,548,200)	(25,057,400)	(33,605,600)
Net realized and unrealized gains	2,248,700	6,591,900	8,840,600
Total gain on investments	3,654,400	10,712,300	14,366,700
Investment return used for current operations	(5,512,600)	(15,072,100)	(20,584,700)
Investment expenses	(499,800)	(1,461,900)	(1,961,700)
Investment loss in excess of spending rate	$ (2,358,000)	$ (5,821,700)	$ (8,179,700)

	2018		
	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
Dividends and interest	$ 781,600	$ 3,298,000	$ 4,079,600
Realized gains	2,220,600	9,369,200	11,589,800
Unrealized gains	2,995,900	12,640,800	15,636,700
Net realized and unrealized gains	5,216,500	22,010,000	27,226,500
Total gain on investments	5,998,100	25,308,000	31,306,100
Investment return used for current operations	(5,336,900)	(14,078,200)	(19,415,100)
Investment expenses	(417,000)	(1,759,300)	(2,176,300)
Investment gain in excess of spending rate	$ 244,200	$ 9,470,500	$ 9,714,700

4. GRANTS AND CONTRIBUTIONS RECEIVABLE AND CONTRIBUTIONS RECEIVABLE FOR ENDOWMENT, NET

Receivables consist primarily of promises to give and are due from individuals, corporations, and foundations. Grants and contributions receivable and contributions receivable for endowment as of June 30, 2019 and 2018, are due to be collected as follows:

	2019	2018
Amounts due in less than one year:		
Grants and contributions receivable	$ 11,064,300	$ 15,688,900
Contributions receivable for endowment	8,854,500	9,707,800
Total	19,918,800	25,396,700
Amounts due in one to five years:		
Grants and contributions receivable	13,144,300	11,448,300
Contributions receivable for endowment	11,756,500	13,728,000
Total	24,900,800	25,176,300
Gross receivables	44,819,600	50,573,000
Less: discount (at rates varying from 1.01 percent to 2.77 percent)	(1,113,600)	(1,713,600)
Total receivables, net	$ 43,706,000	$ 48,859,400

Endowment contributions receivable, net of discount, totaled $20,136,100 and $22,495,500 as of June 30, 2019 and 2018, respectively. CFR also has been named as a beneficiary of various wills and trusts as of June 30, 2019 and 2018. As described in Note 2, CFR does not recognize such intentions as contribution revenue until they become unconditional promises to give and the proceeds of which are measurable.

5. LAND, BUILDINGS AND BUILDING IMPROVEMENTS, AND EQUIPMENT, NET

Land, buildings and building improvements, and equipment, at cost, net of accumulated depreciation, as of June 30, 2019 and 2018, are summarized as follows:

	2019	2018	Estimated Useful Lives
Land (New York)	$ 1,854,300	$ 1,854,300	
Land (Washington, DC)	5,397,700	5,397,700	
Buildings and building improvements (New York)	36,247,000	35,511,500	3-55 years
Building and building improvements (Washington, DC)	53,708,200	53,476,800	3-55 years
Equipment (New York)	19,045,100	19,384,700	3-15 years
Equipment (Washington, DC)	5,251,700	5,314,000	3-15 years
Construction in progress	663,500	1,346,300	
Total	122,167,500	122,285,300	
Less: accumulated depreciation	(53,301,500)	(51,199,000)	
Total net	$ 68,866,000	$ 71,086,300	

Construction in progress predominately consists of project costs related to digital products, building and equipment improvements, and a dedicated HVAC system. Substantially all projects are expected to be completed by January 2020, and the estimated costs remaining to complete these projects is approximately $1,550,000.

Depreciation expense amounted to $4,323,400 and $4,688,600 for the years ended June 30, 2019 and 2018, respectively. During fiscal 2019, certain assets totaling $2,303,200 became fully depreciated and the related asset cost values and accumulated depreciation were remove from the balances presented above.

6. RETIREMENT PLAN

CFR has a defined contribution retirement plan under Section 403(b) of the IRC (the “403(b) Plan”) covering all employees who meet the minimum service requirements. Payments to the 403(b) Plan, which are calculated at 8 percent of each participant’s salary for all employees, are made to the Teachers Insurance and Annuity Association and College Retirement Equities Fund (“TIAA-CREF”) to purchase individual annuities for plan participants. CFR’s 403(b) Plan expense amounted to approximately $2,184,700 and $2,050,000 for the years ended June 30, 2019 and 2018, respectively. Participants over the age of thirty must contribute 2.5 percent of their salaries and have the option to make additional contributions to the 403(b) Plan on their own behalf.

7. OTHER POSTRETIREMENT BENEFITS

CFR provides medical and dental benefits for certain retired employees. Current employees receiving benefits will continue to be eligible to receive medical and dental benefits upon retirement under the Postretirement Plan (the "Plan"). Participation in the Plan requires that in order to be eligible to receive plan benefits an employee must attain the earlier of either age of 60 with 15 years of continuous service, or attain the age of 55 with 25 years of continuous service. Employees hired on or after January 1, 1987 are not eligible for postretirement benefits, with the exception of the current and future Presidents of CFR, Executive Vice President, Senior Vice Presidents, and Editor of *Foreign Affairs*, hired on or before July 1, 2002 (must have been in the position as of July 1, 2002), with a minimum of 10 years of service and a retirement date on or after July 1, 2003.

The benefit obligation, as determined as of the end of the year measurement date, is as follows:

	2019	2018
Change in benefit obligation		
Benefit obligation, beginning of year	$ 5,248,000	$ 5,844,000
Service cost	-	6,000
Interest cost	202,000	204,000
Actuarial net loss (gain)	727,000	(476,000)
Benefits paid	(325,000)	(330,000)
Benefit obligation, end of year	$ 5,852,000	$ 5,248,000

CFR accrues expenses and makes benefit payments as they are incurred annually and has not contributed funds to a separate trustee's account to fund the accumulated postretirement benefit obligation. The discount rate used to determine the end-of-year obligation was 3.22 percent and 3.98 percent as of June 30, 2019 and 2018, respectively.

During fiscal 2019, the mortality assumption was updated from the RPEC-2006 White Collar Mortality Table projected generationally with scale MP-2017 to the RPEC-2006 White Collar Mortality Table projected generationally with scale MP-2018. The update in the mortality table resulted in an actuarial loss of $727,000 for the year ended June 30, 2019.

The net periodic benefit obligations and the components of benefit cost for the years ended June 30, 2019 and 2018, are as follows:

	2019	2018
Service cost	$ -	$ 6,000
Interest cost	202,000	204,000
Amortization of net loss	137,000	180,000
Amortization of prior service credit	(10,000)	(10,000)
Net periodic cost included in operating expenses	$ 329,000	$ 380,000

The postretirement benefit cost, net of retiree benefit payments, for the years ended June 30, 2019 and 2018 amounted to $4,000 and $50,000, respectively, and was based on actuarial assumptions and a discount rate set as of the beginning of the year. The discount rate was 3.22 percent and 3.98 percent for fiscal years 2019 and 2018, respectively, and the projected unit credit method was used for determining benefits earned during the year.

The net periodic pension cost for the years ended 2019 and 2018, includes reclassifications of amounts previously recognized as part of changes in net assets without donor restrictions as follows:

	2019	2018
Amortization of net loss	$ 137,000	$ 180,000
Amortization of prior service credit	(10,000)	(10,000)

Amounts that have not yet been recognized as components of net periodic benefit cost but are included in net assets without donor restrictions are as follows:

	2019	2018
Net actuarial loss	$ 2,704,000	$ 2,114,000
Prior service credit	(21,000)	(31,000)
	$ 2,683,000	$ 2,083,000

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

	2019	2018
Health care-cost trend rate assumed for next year	6 percent	5.67 percent
Rate to which the cost trend rate is assumed to decline	4.5 percent	5 percent
Year that the rate reaches the ultimate trend rate	2032	2020

Increasing the assumed medical care cost trend rate by 1 percent in each year would increase the accumulated postretirement benefit obligation by $682,000 and $613,000 as of June 30, 2019 and 2018, respectively, and the aggregate of the service and interest cost components of net periodic postretirement benefit cost for the years then ended by $25,000 and $28,000, respectively. Decreasing the assumed health-care cost trend rate by 1 percent would decrease the accumulated postretirement benefit obligation by $577,000 and $517,000 as of June 30, 2019 and 2018, respectively, and the aggregate of the service and interest cost components of net periodic postretirement benefit cost for the years then ended by $20,000 and $23,000, respectively.

Amounts in net assets without donor restrictions expected to be recognized as components of net periodic benefit cost during fiscal year 2020 are as follows:

Net actuarial loss	$	188,000
Prior service credit		(10,000)

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

Year Ending June 30,		
2020	$	343,000
2021		352,000
2022		360,000
2023		366,000
2024		354,000

8. BONDS PAYABLE

Bonds payable amounted to $52,493,200 and $54,520,000 as of June 30, 2019 and 2018, respectively, (which approximates fair value) and consist of tax-exempt variable rate demand revenue bonds (the “Bonds”), which were originally issued by the District of Columbia on behalf of CFR in August 2007. On September 4, 2012, these bonds were purchased by Wells Fargo Municipal Capital Strategies, LLC (“Wells Fargo”). Proceeds of the Bonds were used for the acquisition, renovation, furnishing, and equipping of an office building, located at 1777 F Street, NW, Washington, DC, to be used by CFR for office and conference space.

In connection with the original issuance of the Bonds, CFR incurred $3,297,400 in financing costs, which were capitalized and were being amortized on a straight-line basis through the conversion date. The remaining unamortized balance of $2,796,400 was written-off as of June 30, 2013, in accordance with the amended and restated loan agreement dated September 4, 2012.

The Bonds have a stated maturity of August 1, 2042, but CFR can repay the obligation at any time and retire the bond issue. Repayment of principal on the Bonds commenced on August 1, 2013. The Bonds currently bear interest at 80 percent of 1 month LIBOR plus 1 percent, which is determined by the calculation agent and is payable monthly, in arrears, on the first day of each month (“index rate”). The index rate resets on the first business day of each month utilizing one month LIBOR from two London business days prior to the reset date (first business day of each month). In no event shall the interest rate exceed the lesser of the highest interest rate, which may be borne by the Bonds under the laws of the District of Columbia and 12 percent per annum.

During each of the years ended June 30, 2019 and 2018, the index rate ranged between 2.6 percent and 2.9 percent. The LIBOR index rate mode began September 4, 2012 (the "Conversion Date"), and ranged from .86 percent to 2.00 percent during each of the years ended June 30, 2019 and 2018. Interest expense on the bonds totaled $1,379,100 and $1,187,300 for the years ended June 30, 2019 and 2018, respectively.

Pursuant to the Security and Intercreditor Agreement executed in connection with the reissuance of the bonds, CFR has pledged and granted to Wells Fargo a first priority, security interest in all of CFR's gross revenues as collateral.

With respect to the tax-exempt variable rate demand revenue bonds discussed above, during fiscal 2019, CFR and the issuing authority opted to further amend and restate the First Amended and Restated Indenture and the First Amended Loan Agreement to extend the Put Date (i.e., the date CFR must repurchase the bonds from the holder) and to modify the rate at which the bonds bear interest. Such modification caused a reissuance of the Series 2012 Bonds for federal tax purposes. Substantially all of the other previous provisions and covenants remain in force as well as the interest-rate swap agreement.

Principal payments are as follows for years subsequent to June 30, 2019:

	Principal	Refinance Fees	Total
Year Ending June 30,			
2020	$ 1,905,000	$ (10,360)	$ 1,894,640
2021	1,980,000	(10,360)	1,969,640
2022	2,060,000	(10,360)	2,049,640
2023	2,140,000	(10,360)	2,129,640
2024	2,225,000	(10,360)	2,214,640
Thereafter	42,380,000	(145,000)	42,235,000
Total	$ 52,690,000	$ (196,800)	$ 52,493,200

CFR entered into an interest-rate swap agreement, with an effective date of December 7, 2007, whereby CFR agreed to swap its variable rate of interest on the Bonds for a fixed rate equal to 3.719 percent. The interest-rate swap was novated on September 4, 2012, to Wells Fargo Bank, N.A., with an effective date of September 1, 2012, and a fixed rate equal to 3.37 percent. The notional amount, per the novated swap agreement, is $52,493,200 and $54,520,000 as of June 30, 2019 and 2018, respectively, and is amortized annually until the termination date on August 1, 2037. The fair value of the swap agreement as of June 30, 2019 and 2018, is a liability of $6,912,200 and $3,858,900, respectively. Net settlement transactions related to the swap agreement resulted in a net loss to CFR totaling $694,800 and $1,164,800 for the years ended June 30, 2019 and 2018, respectively.

As of and for the years ended June 30, 2019 and 2018, amounts included within the accompanying financial statements relating to the interest-rate swap agreement are as follows:

2019

Fair Value at June 30, 2019	Statement of Financial Position Location	Change in Value of Interest-Rate Swap Agreement for the Year Ended June 30, 2019	Statement of Activities Location	Level Within Fair Value Hierarchy
$ 6,912,200	Interest-rate swap agreement (liabilities)	$ (3,053,300)	Change in value of interest-rate swap agreement	Level 2

2018

Fair Value at June 30, 2018	Statement of Financial Position Location	Change in Value of Interest-Rate Swap Agreement for the Year Ended June 30, 2018	Statement of Activities Location	Level Within Fair Value Hierarchy
$ 3,858,900	Interest-rate swap agreement (liabilities)	$ 2,258,500	Change in value of interest-rate swap agreement	Level 2

Effective February 1, 2014, CFR entered into a credit agreement with Wells Fargo Bank, N.A., to provide a revolving line of credit note in the amount of $6 million. The line of credit was originally available between the date of the agreement and January 31, 2015. The maturity date of the line of credit was extended during fiscal years 2019 and 2018 and is now January 31, 2020. No amounts were outstanding under the line of credit as of June 30, 2019 and 2018.

9. NET ASSETS WITH DONOR RESTRICTIONS

Restricted net assets as of June 30, 2019 and 2018, which are subject to expenditure for specified purposes, are as follows:

	2019	2018
Studies Program	$ 50,443,500	$ 49,878,100
NY Meetings	2,342,300	2,235,400
Term member	-	141,800
Foreign Affairs publications	1,204,300	1,069,200
National Program	1,079,400	224,300
Digital Program	700,000	1,084,900
Education Program	7,807,600	9,182,400
Capital	1,322,700	1,585,600
Various other programs/operating purposes	117,434,700	117,030,400
Total	$ 182,334,500	$ 182,432,100

Restricted net assets were released from restrictions by incurring expenses satisfying the donor-restricted purposes or by the occurrence of other events specified by the donors for the years ended June 30, 2019 and 2018, as follows:

	2019	2018
Studies Program	$ 12,934,000	$ 13,799,600
NY Meetings	496,700	703,600
Term member	142,600	197,400
Foreign Affairs publications	200,100	195,200
National Program	349,300	245,200
Outreach Program	100,000	90,000
Digital Program	584,900	1,036,200
Education Program	3,423,300	3,210,000
Capital	262,900	265,000
Various other programs/operating programs	13,987,400	36,575,100
Total	$ 32,481,200	$ 56,317,300

Restricted net assets comprising CFR's permanent endowment as of June 30, 2019 and 2018, the income from which is subject to CFR's spending policy and appropriation, consist of the following.

	2019	2018
Studies Program	$ 94,758,400	$ 92,379,300
NY Meetings	8,177,000	7,425,700
National Program	2,000,000	2,000,000
Library	156,700	156,700
Foreign Affairs publications	2,620,200	2,620,200
Term member	2,500,000	2,500,000
Various other programs/operating purposes	136,490,600	128,568,000
Total	$ 246,702,900	$ 235,649,900

10. ENDOWMENT NET ASSETS

The State of New York passed the New York Prudent Management of Institutional Funds Act ("NYPMIFA"), its version of the Uniform Prudent Management of Institutional Funds Act ("UPMIFA"). All not-for-profit organizations formed in New York must apply this law. It was effective for CFR's 2011 fiscal year. One of the provisions of NYPMIFA created a rebuttable presumption of imprudence if an organization appropriates more than 7 percent of a donor-restricted permanent endowment fund's fair value (averaged over a period of not less than the preceding five years) in any year. Any unappropriated earnings that would otherwise be considered without donor restrictions will be reflected as part of net assets with donor restrictions until appropriated for expenditure.

CFR classifies as net assets with donor restrictions: (a) the original value of gifts donated to its permanent endowment; (b) the original value of subsequent gifts to its permanent endowment; and (c) accumulations to its permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. Unspent endowment earnings remain classified as part of with donor restrictions until such amounts are appropriated for expenditure by the Board of Directors of CFR in a manner consistent with the standard of prudence prescribed by NYPMIFA. In accordance with NYPMIFA, CFR considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the endowment fund;
- The purposes of CFR and its donor-restricted endowment fund;
- General economic conditions;
- The possible effect of inflation or deflation;
- The expected total return from income and appreciation of endowment investments;
- Other resources of CFR;
- The investment policies of CFR; and
- Where appropriate, alternatives to spending from the donor-restricted endowment fund and the possible effects on CFR.

CFR's endowment investment policy is to invest primarily in a mix of equities, fixed income securities, and alternative investments based on an asset allocation to satisfy its overall endowment financial and investment objectives, such as to preserve principal, protect against inflation, receive stable returns, and achieve long-term growth. CFR relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). Annual spending from the endowment fund is described further in Note 2.

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

Changes in endowment net assets for the years ended June 30, 2019 and 2018, follow:

	Without Donor	With Donor Restrictions		Total Funds
2019	**Restrcitions**	**Spendable**	**Corpus**	**2019**
Board-designated/Quasi-Endowment	$ 122,441,700	$ -	$ -	$ 122,441,700
Donor-Restricted Endowment:				
Underwater	-	-	-	-
Other	-	126,822,000	226,568,100	353,390,100
Total endowment funds	$ 122,441,700	$ 126,822,000	$ 226,568,100	$ 475,831,800
Endowment net assets, beginning of year	$ 83,472,200	$ 132,643,700	$ 213,154,300	$ 429,270,200
Investment activity	3,155,800	9,250,400		12,406,200
Contributions/cash collected on endowment multi-year pledges	20,650,000	-	13,966,300	34,616,300
Proceeds from sale of investments/purchases, net	(4,171,400)	-	-	(4,171,400)
Transfer in to Endowment	24,847,700	-	-	24,847,700
Write-Offs of Endowment	-	-	(552,500)	(552,500)
Amounts appropriated for expenditure	(5,512,600)	(15,072,100)	-	(20,584,700)
Total endowment activity	38,969,500	(5,821,700)	13,413,800	46,561,600
Endowment net assets, end of year	$ 122,441,700	$ 126,822,000	$ 226,568,100	$ 475,831,800

As of June 30, 2019, all of CFR's investments correspond with the endowment balance presented above. Certain other investments of CFR, including cash and cash equivalents, which have not been donor-restricted or board-designated for the endowment, are held separately. Such amounts are, at present, available for the general operating purposes of CFR, however, may be board-designated for specific purposes or to be added to the endowment in a future period.

2018	Without Donor Restrictions	With Donor Restrictions Spendable	With Donor Restrictions Corpus	Total Funds 2018
Board-designated/Quasi-Endowment	$ 83,472,200	$ -	$ -	$ 83,472,200
Donor-Restricted Endowment:				
Underwater	-	-	-	-
Other	-	132,643,700	213,154,300	345,798,000
Total endowment funds	$ 83,472,200	$ 132,643,700	$ 213,154,300	$ 429,270,200
Endowment net assets, beginning of year	$ 81,133,100	$ 123,173,100	$ 200,662,200	$ 404,968,400
Investment activity	5,581,100	23,548,800	-	29,129,900
Contributions/cash collected on endowment multi-year pledges	-	-	12,492,100	12,492,100
Proceeds from sale of investments/purchases, net	2,094,900	-	-	2,094,900
Transfer in to Endowment	-	-	-	-
Amounts appropriated for expenditure	(5,336,900)	(14,078,200)	-	(19,415,100)
Total endowment activity	2,339,100	9,470,600	12,492,100	24,301,800
Endowment net assets, end of year	$ 83,472,200	$ 132,643,700	$ 213,154,300	$ 429,270,200

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

Endowment net assets of $475,831,800 and $429,270,200 are included within investments on the accompanying statements of financial position as of June 30, 2019 and 2018, respectively. In addition, CFR recorded endowment receivables of $20,136,100 and $22,495,500 as of June 30, 2019 and 2018, respectively, which are recorded as part of net assets with donor restrictions on the accompanying statements of financial position. Such endowment receivables are excluded from the endowment schedules until such time payment is received and are then included as part of contributions/cash collected on endowment multi-year pledges.

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires CFR to retain as a fund of perpetual duration. In accordance with CFR's policy, see Note 2, deficiencies of this nature are reported in net assets with donor restrictions. These deficiencies result from unfavorable market fluctuations whereby the respective fair value of a donor-restricted endowment fund falls below the amount that is required to be maintained by law or donor restriction. As of June 30, 2019 and 2018, there were no such deficiencies.

11. FAIR VALUE MEASUREMENTS

Fair value measurements are based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In order to increase consistency and comparability in fair value measurements, a fair value hierarchy was established by the FASB, which prioritizes observable and unobservable inputs used to measure fair value into three levels, as described below.

Level 1 - Valuations for assets and liabilities traded in active exchange markets, such as the New York Stock Exchange. Level 1 measurements also include U.S. Treasury and federal agency securities and federal agency mortgage-backed securities, which are traded by dealers or brokers in active markets. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

Level 2 - Valuations for assets and liabilities traded in less active dealer or broker markets. Valuations are obtained from third-party pricing services for identical or similar assets or liabilities.

Level 3 - Valuations for assets and liabilities that are derived using other valuation methodologies, including option pricing models, discounted cash flow models or similar techniques, and not based on market exchange, dealer, or broker-traded transactions. Level 3 valuations incorporate certain assumptions and projections in determining the fair value assigned to such assets or liabilities.

Observable inputs reflect assumptions market participants would use in pricing the asset or liabilities developed from sources independent of the reporting entity. Unobservable inputs reflect the reporting entity's own assumptions about what market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

CFR uses NAV to determine the fair value of all underlying investments which (a) do not have a readily determinable fair value and (b) prepare their financial statements consistent with the measurement policies of an investment company or have the attributes of an investment company. The value represents the ownership interest in the hedge fund or respective partnership. The NAV of the investments held by limited partnerships and hedge funds that do not have readily determinable fair values are determined by the general partner or hedge fund manager and are based on appraisals, or other estimates that require varying degrees of judgment. CFR performs due diligence around these investments to ensure NAV is an appropriate measure of fair value as of June 30. Because of the inherent uncertainty of valuing these investments and certain underlying investments held by them, CFR's estimate of fair value may differ significantly from the values that would have been used had a ready market for such investments existed. These investments may be illiquid and thus there can be no assurance that CFR will be able to realize the value of such investments in a timely manner. For partnership interests, gains and losses are dependent upon the general partners' distributions during the life of each partnership.

Financial assets and liabilities reported at fair value on the accompanying financial statements, excluding pending purchases and redemptions as of June 30, 2019 and 2018, are classified in the leveling hierarchy described above as follows:

	2019			
	Level 1	**Level 2**	**Net Asset Value**	**Total**
Assets reported, at fair value				
Investments:				
Cash and cash equivalents	$ 9,860,200	$ -	$ -	$ 9,860,200
Long-only equities	-	-	164,385,700	164,385,700
Deflation hedges and fixed income	-	107,290,700	-	107,290,700
Growth-oriented hedge funds and venture capital	-	-	52,088,100	52,088,100
Diversifiers	-	-	121,077,700	121,077,700
Private equity	-	-	16,938,700	16,938,700
Private hard assets	-	-	4,190,700	4,190,700
Total investments	9,860,200	107,290,700	358,680,900	475,831,800
Total assets reported, at fair value	$ 9,860,200	$ 107,290,700	$ 358,680,900	$ 475,831,800
Liabilities reported, at fair value				
Interest rate-swap agreement	$ -	$ (6,912,200)	$ -	$ (6,912,200)
Total liabilities reported, at fair value	$ -	$ (6,912,200)	$ -	$ (6,912,200)

	2018			
	Level 1	**Level 2**	**Net Asset Value**	**Total**
Assets reported, at fair value				
Investments:				
Cash and cash equivalents	$ 82,682,900	$ -	$ -	$ 82,682,900
Long-only equities	-	-	146,305,300	146,305,300
Deflation hedges and fixed income	-	7,395,300	-	7,395,300
Growth-oriented hedge funds and venture capital	-	-	58,947,700	58,947,700
Diversifiers	-	-	130,141,000	130,141,000
Private equity	-	-	17,539,500	17,539,500
Private hard assets	-	-	5,118,700	5,118,700
Total investments	82,682,900	7,395,300	358,052,200	448,130,400
Total assets reported, at fair value	$ 82,682,900	$ 7,395,300	$ 358,052,200	$ 448,130,400
Liabilities reported, at fair value				
Interest rate-swap agreement	$ -	$ (3,858,900)	$ -	$ (3,858,900)

Investments in money market funds and corporate equities are valued using quoted market prices in active markets (Level 1). Level 1 instrument valuations are obtained from real-time quotes for transactions in active exchange markets involving identical assets as of the measurement date. Investments in corporate obligations and U.S. government bonds and notes are valued using quoted prices in inactive markets (Level 2). Level 2 valuations are obtained from similar assets or liabilities or model-derived valuations in which all significant inputs are observable or can be derived principally from or corroborated with observable market data.

The fair value of the interest-rate swap agreement is determined using observable market inputs such as current interest rates, credit risk of CFR, and that of its counterparty (Level 2).

Certain of CFR’s investments classified as alternative investments are recorded at fair value in an amount equal to the NAV, as reported by the investment managers, of shares of units held by CFR at year-end. Such investments have not been categorized within the fair value hierarchy in accordance with ASU 2015-07. The financial statements of these alternative investments are prepared in accordance with U.S. GAAP and are audited annually by independent auditors.

CFR’s alternative investment strategies include diversified portfolio allocations across a broad range of equity, debt, derivative, and commodity investments. Redemptions, at NAV, of shares in these investments range from quarterly to annually, generally with ten to ninety days’ notice, and typically after the expiration of any defined lock-up period(s).

The following tables summarize CFR's investments valued at NAV:

2019

Investment Objective	# of Funds	Fair Value	Unfunded Commitments	Redemption Terms	Redemption Restrictions
Long-only equities	8	$ 164,385,700	$ 2,000,000	Daily - 30% Monthly - 37% Quarterly - 19% Annually - 14%	100% have no lock-up 1 Fund has 25% Investor Gate of NAV 1 Fund has 33% Investor Gate of NAV 1 Fund has 0.5% Exit Fee of NAV
Growth-oriented hedge funds & Venture Capital	10	52,088,100	5,713,100	Quarterly - 70% Biennially - 19% Liquidating - 1% N/A(VC) - 11%	16% has 30 month lock-up 1 Fund has 20% Investor Gate of NAV 1 Fund has 33% Investor Gate of NAV
Diversifiers	4	121,077,700	-	Quarterly - 44% Semi-Annually - 36% Annually - 20%	100% have no lock-up 2 funds have 25% Investor Gate of NAV 1 Fund has 50% Investor Gate of NAV 1 Fund has 1.75% Exit Fee of NAV
Private equity	9	16,938,700	1,788,700	Illiquid	n/a
Private hard assets	3	4,190,700	1,928,300	Illiquid	n/a
		$ 358,680,900	$ 11,430,100		

2018

Investment Objective	# of Funds	Fair Value	Unfunded Commitments	Redemption Terms	Redemption Restrictions
Long-only equities	9	$ 146,305,300	$ -	Daily - 21% Monthly - 29% Quarterly - 38% Annually - 12%	100% have no lock-up 1 Fund has 5% Investor Gate of NAV 2 Fund has 25% Investor Gate of NAV 1 Fund has 33% Investor Gate of NAV 1 Fund has 0.5% Exit Fee of NAV
Growth-oriented hedge funds & Venture Capital	8	58,947,700	-	Quarterly - 83% Biennially - 16% Liquidating - 1%	100% have no lock-up 1 Fund has 20% Investor Gate of NAV 1 Fund has 33% Investor Gate of NAV
Diversifiers	5	130,141,000	-	Quarterly - 52% Semi-Annually - 34% Annually - 14%	100% have no lock-up 3 funds have 25% Investor Gate of NAV 1 Fund has 50% Investor Gate of NAV 1 Fund has 1.75% Exit Fee of NAV
Private equity	9	17,539,500	3,309,900	Illiquid	n/a
Private hard assets	3	5,118,700	2,285,600	Illiquid	n/a
		$ 358,052,200	$ 5,595,500		

12. COMMITMENTS

Operating Leases

CFR leases certain equipment under operating lease arrangements.

Future minimum payments for noncancelable operating leases as of June 30, 2019, are as follows:

Year Ending June 30,	
2020	$ 116,900
2021	111,700
2022	82,200
2023	51,100
Total	$ 361,900

Rent expense under the operating leases described above amounted to $90,800 and $87,100 for the years ended June 30, 2019 and 2018, respectively.

13. LIQUIDITY AND AVAILABILITY OF FINANCIAL RESOURCES

CFR regularly monitors liquidity required to meet its operating needs. CFR's financial assets available within one year of the statement of financial position date for general expenditure are as follows:

Available financial assets as of June 30, 2019	
Cash and cash equivalents	$ 33,648,800
Accounts receivables, net, due within one year	3,178,000
Grants receivable, due within one year	11,064,300
Total financial assets available within one year	47,891,100
Add: Investment return used for current operations (endowment spending)	22,069,900
Total financial assets available to management for general expenditures within one year	$ 69,961,000

Excluded from the detail provided above are all investment amounts pertaining to CFR's endowment fund totaling $475,831,800 as of June 30, 2019. CFR's endowment fund includes both donor-restricted investments (original gift amount and accumulated gains) and CFR's board-designated endowment (quasi-endowment) (See footnote 10 for a detail of CFR's endowment fund). Earnings from donor-restricted endowment funds are unavailable for general use. The endowment is subject to an annual spending rate of 5%, as further described in footnote 2. Although CFR does not intend to spend from its board-designated endowment, other than amounts appropriated for operations annually, as of June 30, 2019, CFR had $122,441,800 of board-designated endowment funds available to support operations if necessary, following Board approval. Accordingly, the extent of available financial assets as of June 30, 2019 only includes an approximation of investment return that will be made available to fund current operations, pursuant to CFR's Board approved endowment spending policy.

As part of CFR's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations become due.