

**Financial Statements**  
**Foreign Policy Research Institute**  
**December 31, 2014 and 2013**

*Rainer  
& Company*

A Professional Corporation  
Certified Public Accountants

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A Professional Corporation  
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## INDEPENDENT AUDITORS' REPORT

The Board of Trustees  
Foreign Policy Research Institute  
Philadelphia, Pennsylvania

We have audited the accompanying financial statements of Foreign Policy Research Institute (a nonprofit organization), which comprise the statements of financial position as of December 31, 2014 and 2013, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

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

### **Auditors' Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity'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 the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Foreign Policy Research Institute as of December 31, 2014 and 2013, 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.

*Rainer & Company*  
Rainer & Company

Newtown Square, PA  
July 15, 2015

**FOREIGN POLICY RESEARCH INSTITUTE**

Statements of Financial Position

December 31, 2014 and 2013

<u>ASSETS</u>	<u>2014</u>	<u>2013</u>
Current:		
Cash and Cash Equivalents	\$ 125,433	\$ 240,140
Contracts Receivable (Note 1)	60,000	101,000
Other Receivables	83,206	80,000
Prepaid Expenses and Other Assets	12,582	8,897
TOTAL CURRENT ASSETS	<u>281,221</u>	<u>430,037</u>
Equipment, Net	<u>37,829</u>	<u>45,184</u>
Other:		
Deposits	<u>6,955</u>	<u>4,955</u>
TOTAL ASSETS	<u>\$ 326,005</u>	<u>\$ 480,176</u>
 <u>LIABILITIES AND NET ASSETS</u> 		
Current:		
Accounts Payable and Accrued Expenses	\$ 63,249	\$ 89,221
Deferred Income (Note 1)	197,138	153,370
TOTAL CURRENT LIABILITIES	<u>260,387</u>	<u>242,591</u>
Net Assets:		
Unrestricted	(293,445)	(199,383)
Temporarily Restricted (Page 4 and Note 4)	359,063	436,968
TOTAL NET ASSETS	<u>65,618</u>	<u>237,585</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 326,005</u>	<u>\$ 480,176</u>

The accompanying notes are an integral part of these statements.

**FOREIGN POLICY RESEARCH INSTITUTE**  
Statements of Activities  
For the Years Ended December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Unrestricted Revenues, Gains and Other Support:		
Contributions and Grants	\$ 420,361	\$ 420,562
Memberships and Partnerships	250,996	246,838
Publications	178,456	160,000
Conferences and Seminars	26,915	39,476
Interest	556	46
Other	10,149	189
TOTAL UNRESTRICTED REVENUES	<u>887,433</u>	<u>867,111</u>
Net Assets Released from Restrictions:		
Restrictions Satisfied by Payments (Note 5)	<u>818,460</u>	<u>623,368</u>
TOTAL UNRESTRICTED REVENUES, GAINS AND OTHER SUPPORT	<u>1,705,893</u>	<u>1,490,479</u>
Functional Expenses (Page 11):		
Program Services	1,450,762	1,292,664
Supporting Services:		
Management and General	99,594	102,278
Fund Raising	249,599	264,077
TOTAL FUNCTIONAL EXPENSES	<u>1,799,955</u>	<u>1,659,019</u>
DECREASE IN UNRESTRICTED NET ASSETS	<u>(94,062)</u>	<u>(168,540)</u>
Temporarily Restricted Net Assets:		
American Vulnerabilities Project	200,000	100,000
Middle East Program	105,055	100,000
Program on National Security	125,000	175,000
Teaching Military History/Center for the Study of America and the West	100,000	85,000
Project on Democratic Transitions	15,000	30,000
Special Operations Forces as an Instrument of National Security Policy	50,000	0
Investigative Journalism Project	10,000	0
Website Development	3,000	0
Indirect Approaches for Modern Competitive Environments in a Disordered World	47,500	0
Korean Study Trip for Teachers	85,000	0
Asia Program	0	120,000
Managing the Second Nuclear Age	0	128,700
The Geopolitics of the Russian Far East	0	155,100
Net Assets Released from Donor Restrictions	<u>(818,460)</u>	<u>(623,368)</u>
INCREASE (DECREASE) IN TEMPORARILY RESTRICTED NET ASSETS	<u>(77,905)</u>	<u>270,432</u>
CHANGE IN NET ASSETS	(171,967)	101,892
Net Assets - Beginning	<u>237,585</u>	<u>135,693</u>
NET ASSETS - ENDING	<u>\$ 65,618</u>	<u>\$ 237,585</u>

The accompanying notes are an integral part of these statements.

**FOREIGN POLICY RESEARCH INSTITUTE**  
Statements of Cash Flows  
For the Years Ended December 31, 2014 and 2013

	2014	2013
Cash Flows from Operating Activities:		
Change in Net Assets	\$ (171,967)	\$ 101,892
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation	22,385	21,073
Decrease (Increase) in:		
Contracts Receivable	41,000	(101,000)
Other Receivables	(3,206)	(8,650)
Prepaid Expenses and Other Assets	(3,685)	(3,625)
Deposits	(2,000)	1,600
Increase (Decrease) in:		
Accounts Payable and Accrued Expenses	(25,972)	(3,173)
Deferred Income	43,768	14,078
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>(99,677)</b>	<b>22,195</b>
Cash Flows from Investing Activities:		
Purchase of Equipment	(15,030)	(27,856)
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(114,707)</b>	<b>(5,661)</b>
Cash and Cash Equivalents - Beginning	240,140	245,801
<b>CASH AND CASH EQUIVALENTS - ENDING</b>	<b>\$ 125,433</b>	<b>\$ 240,140</b>

The accompanying notes are an integral part of these statements.

**FOREIGN POLICY RESEARCH INSTITUTE**

Notes to Financial Statements

December 31, 2014 and 2013

**NOTE 1 - Summary of Significant Accounting Policies**

Nature of Activities - Foreign Policy Research Institute (the "Institute") is devoted to bringing the insights of scholarship to bear on the development of policies that advance the United States of America's national interests. Foreign Policy Research Institute emphasizes the study of history, geography, and culture to illuminate contemporary international affairs. Derivative from this is the Institute's Butcher History Institute and Wachman Center for Civic and International Literacy, which provide professional development for high school teachers in American and world history and international affairs.

Financial Statement Presentation - The Institute is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets depending on the existence or nature of any donor restrictions.

Promises to Give and Contributions (Contract Receivable) - Unconditional promises to give cash and other assets are reported at fair value at the date the promise is received. The gifts are reported as unrestricted, temporarily or permanently restricted support depending on the existence or nature of any donor restrictions. When a donor restriction expires, that is when a stipulated time restriction ends or the purpose of the restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statements of activities as net assets released from restrictions. Donor restricted contributions whose restrictions are met within the same year as received are reflected as unrestricted contributions in the accompanying financial statements.

Deferred Income - Membership revenue is deferred at the time of receipt. A proportionate amount of the yearly membership price is credited to revenue annually. Costs connected with the Institute's membership are expensed as incurred. Additionally, deferred income includes the deferral of publication fees received, earned in the following year.

Publications and Research Books - Publication costs are expensed when incurred, and revenues are recorded when realized with the production, editorial, and sale, respectively, of publications by the Institute. The Institute has a supply of publications for sale which are not reflected in the statements of financial position. Also, the substantial collection of research books and periodicals maintained by the Institute is not reflected in the statements of financial position, as its value is not readily determinable.

Equipment and Depreciation - The Institute capitalizes all expenditures for equipment in excess of \$2,000. Equipment is capitalized at cost. Maintenance and repairs are charged to operations as incurred. Depreciation is computed on a straight-line basis using estimated useful lives of three to seven years.

Functional Expenses - The cost of the Institute's programs and supporting services have been reported on a functional basis. This required the allocation of certain costs among the various programs and supporting services benefited based on estimates made by management.

Cash and Cash Equivalents - For purposes of the statements of cash flows, the Institute considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Contracts Receivable - The Institute expects contracts receivable to be fully collectible within one year. Accordingly, no allowance for doubtful accounts is required. Balances that are still outstanding after the Institute has used reasonable collection efforts are written off through a charge to operations.



**FOREIGN POLICY RESEARCH INSTITUTE**

Notes to Financial Statements  
December 31, 2014 and 2013

NOTE 1 - Summary of Significant Accounting Policies (Continued)

Donated Assets - Donated marketable securities and other non cash donations are recorded as contributions at their fair market values at the date of donation.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Tax Status - The Institute is exempt from Federal income taxes under Internal Revenue Code Section 501(c)(3) and applicable state law.

The accounting standard on accounting for uncertainty in income taxes addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. If the Institute were to incur any income tax liability in the future, interest on any income tax liability would be reported as interest expense, and penalties on any income tax would be reported as income taxes. There are no unrecognized tax benefits identified or recorded as liabilities as of and for the years ended December 31, 2014 and 2013.

The Institute's forms 990 for the years ended December 31, 2014, 2013 and 2012 are subject to examination by the IRS, generally for three years after they were filed.

Subsequent Events - The Institute has evaluated subsequent events through July 15, 2015, which represents the date the financial states were available to be issued.

Reclassification - Certain reclassifications have been made to the prior year amounts to conform to current year classification.

NOTE 2 - Concentration of Credit Risk

The Institute maintains cash balances at several financial institutions. The accounts at these institutions are insured by the Federal Deposit Insurance Corporation or Securities Investor Protection Corporation. In the normal course of business, the Institute may have deposits that exceed the insured balance.

NOTE 3 - Equipment

	<u>2014</u>	<u>2013</u>
Equipment	\$ 197,678	\$ 182,648
Less: Accumulated Depreciation	<u>159,849</u>	<u>137,464</u>
<b>EQUIPMENT, NET</b>	<u><u>\$ 37,829</u></u>	<u><u>\$ 45,184</u></u>

Depreciation expense for the years ended December 31, 2014 and 2013 was \$22,385 and \$21,073, respectively.

**FOREIGN POLICY RESEARCH INSTITUTE**

Notes to Financial Statements  
December 31, 2014 and 2013

NOTE 4 - Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes:

	<u>2014</u>	<u>2013</u>
American Vulnerabilities	\$ 52,875	\$ 0
American Foreign Policy Book	4,409	4,409
Indirect Approaches for Modern Competitive Environments in a Disordered World	32,425	0
Teaching Military History/Center for the Study of America and the West	100,000	85,000
Project on Democratic Transitions	4,437	19,455
Special Operations Forces as an Instrument of National Security Policy	50,000	0
Korean Study Trip for Teachers	85,000	0
Asia Program	0	110,320
Managing the Second Nuclear Age	12,100	118,100
The Geopolitics of the Russian Far East	17,817	99,684
	<u>\$ 359,063</u>	<u>\$ 436,968</u>

NOTE 5 - Net Assets Released from Restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes specified by donors.

	<u>2014</u>	<u>2013</u>
American Vulnerabilities Project	\$ 147,125	\$ 100,000
American Foreign Policy Book	0	8,087
Middle East Program	105,055	100,000
Program on National Security	125,000	175,000
Teaching Military History/Center for the Study of America and the West	85,000	61,887
Project on Democratic Transitions	30,018	10,544
Investigative Journalism Project	10,000	0
Website Development	3,000	0
Indirect Approaches for Modern Competitive Environments in a Disordered World	15,075	0
Asia Program	110,323	91,834
Managing the Second Nuclear Age	106,000	10,600
The Geopolitics of the Russian Far East	81,864	55,416
Understanding Global Fundamentals: Geography and History	0	10,000
	<u>\$ 818,460</u>	<u>\$ 623,368</u>

**FOREIGN POLICY RESEARCH INSTITUTE**

Notes to Financial Statements

December 31, 2014 and 2013

**NOTE 6 - Employee Retirement Plan**

The Institute has a contributory retirement plan in accordance with Section 403(b) of the Internal Revenue Code. Employees may contribute up to the limits allowable by the Internal Revenue Code. All eligible employees with two years of service receive a contribution of 2% of their eligible salary. Additionally, the Institute will match employee contributions of up to 3% of their eligible salary, resulting in a maximum contribution of 5%.

For the years ended December 31, 2014 and 2013, pension expense was \$19,865 and \$19,587, respectively.

**NOTE 7 - Operating Lease Commitments**

The Institute leases its office in Philadelphia, Pennsylvania under a long-term, noncancellable lease arrangement expiring December 31, 2020. The current minimum monthly base rent is \$8,064 with an increase occurring in January.

The Institute also leases office equipment under a long-term, noncancellable lease arrangement with minimum monthly payments of \$2,037, expiring from December 2015 through March 2017.

Rent expense for the years ended December 31, 2014 and 2013 was \$139,036 and \$141,063, respectively, which includes common area maintenance and copier usage charges.

Future minimum annual lease payments are as follows:

2015	\$ 121,226
2016	120,513
2017	107,121
2018	104,336
2019	106,856
Thereafter	<u>109,375</u>
TOTAL	<u><u>\$ 669,427</u></u>

INDEPENDENT AUDITORS' REPORT  
ON SUPPLEMENTARY INFORMATION

The Board of Trustees  
Foreign Policy Research Institute  
Philadelphia, Pennsylvania

We have audited the financial statements of Foreign Policy Research Institute as of and for the years ended December 31, 2014 and 2013, and have issued our report thereon dated July 15, 2015, which contained an unmodified opinion on those financial statements. Our audits were performed for the purpose of forming an opinion on the financial statements as a whole.

The schedules of functional expenses are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Rainer & Company*  
Rainer & Company

Newtown Square, PA  
July 15, 2015

**FOREIGN POLICY RESEARCH INSTITUTE**

Supplementary Information

For the Years Ended December 31, 2014 and 2013

**SCHEDULES OF FUNCTIONAL EXPENSES**

	SUPPORTING SERVICES				Total 2013
	Program Services	Management and General	Fund Raising	Total Supporting Services	
Salaries	\$ 415,148	\$ 41,983	\$ 41,983	\$ 83,966	\$ 403,438
Employee Health and Retirement Benefits	55,046	4,842	4,842	9,684	55,043
Payroll Taxes	34,263	3,607	3,607	7,214	33,517
<b>TOTAL SALARIES AND RELATED EXPENSES</b>	<b>504,457</b>	<b>50,432</b>	<b>50,432</b>	<b>100,864</b>	<b>491,998</b>
Office and Equipment Rentals	106,163	16,437	16,436	32,873	141,531
Depreciation	17,057	2,664	2,664	5,328	21,073
Dissemination	4,473	6,675	25,801	32,476	30,001
Computer Expense	34,061	4,928	4,929	9,857	35,574
Honoraria and Stipends	460,972	0	5,000	5,000	236,656
Outside Services	21,496	3,284	4,108	7,392	167,108
Supplies and Postage	31,728	4,709	25,178	29,887	49,094
Telephone	15,661	2,389	2,390	4,779	27,083
Travel	71,442	1,228	1,433	2,661	85,463
Conferences and Lectures	139,984	3,165	102,529	105,694	332,501
Subscriptions	7,065	65	3,757	3,822	7,975
Repairs and Maintenance	2,964	463	463	926	388
Insurance	9,917	1,549	1,549	3,098	15,035
Other	23,322	1,606	2,930	4,536	17,539
<b>TOTAL FUNCTIONAL EXPENSES</b>	<b>\$ 1,450,762</b>	<b>\$ 99,594</b>	<b>\$ 249,599</b>	<b>\$ 349,193</b>	<b>\$ 1,799,955</b>
					<b>\$ 1,659,019</b>