

Financial Statements

Foreign Policy Research Institute

December 31, 2015 and 2014

*Rainer
& Company*

A Professional Corporation
Certified Public Accountants

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A Professional Corporation
Certified Public Accountants

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, 2015 and 2014, 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 auditors' 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, 2015 and 2014, 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 28, 2016

FOREIGN POLICY RESEARCH INSTITUTE
Statements of Financial Position
December 31, 2015 and 2014

<u>ASSETS</u>	<u>2015</u>	<u>2014</u>
Current:		
Cash and Cash Equivalents	\$ 534,017	\$ 125,454
Grants Receivable (Note 1)	476,400	60,000
Royalties Due & Other Receivables	75,200	83,131
Prepaid Expenses and Other Assets	7,957	14,582
TOTAL CURRENT ASSETS	<u>1,093,574</u>	<u>283,167</u>
Equipment, Net of Accumulated Depreciation	58,671	37,829
Other:		
Office Lease Security Deposit	4,955	4,955
TOTAL ASSETS	<u>\$ 1,157,200</u>	<u>\$ 325,951</u>
 <u>LIABILITIES AND NET ASSETS</u>		
Current:		
Accounts Payable and Accrued Expenses	\$ 71,268	\$ 63,195
Deferred Income (Note 1)	177,590	197,138
TOTAL CURRENT LIABILITIES	<u>248,858</u>	<u>260,333</u>
Net Assets:		
Unrestricted	67,476	(293,445)
Temporarily Restricted (Page 4 and Note 4)	840,866	359,063
TOTAL NET ASSETS	<u>908,342</u>	<u>65,618</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,157,200</u>	<u>\$ 325,951</u>

The accompanying notes are an integral part of these statements.

FOREIGN POLICY RESEARCH INSTITUTE
Statements of Activities
For the Years Ended December 31, 2015 and 2014

	2015			2014		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Public Support, Grants, Gains and Other Support:						
Contributions	\$ 820,067	\$ 0	\$ 820,067	\$ 545,361	\$ 0	\$ 545,361
Grants:						
Program: Asia	0	245,000	245,000	0	0	0
Program: Eurasia	0	58,000	58,000	0	0	0
Program: Middle East	0	150,000	150,000	0	105,055	105,055
Program: Teaching Military History & Center for the Study of America and the West	0	100,000	100,000	0	100,000	100,000
Program: Project on Democratic Transitions	0	15,000	15,000	0	15,000	15,000
Program: Think Tanks and Civil Societies	0	11,000	11,000	0	0	0
Program: Korean Study Trip for Teachers	0	(11,834)	(11,834)	0	85,000	85,000
Program: Other History Institutes for Teachers	0	100,000	100,000	0	0	0
Research: American Vulnerabilities	0	400,000	400,000	0	200,000	200,000
Research: Competitive Softpower	0	89,000	89,000	0	0	0
Research: Mideast	0	39,185	39,185	0	0	0
Research: The Moscow Consensus	0	52,800	52,800	0	0	0
Research: Putinomics	0	60,000	60,000	0	0	0
Research: Special Operations Forces as an Instrument of National Security Policy	0	0	0	0	50,000	50,000
Research: Investigative Journalism Project	0	0	0	0	10,000	10,000
Research: Modern Competitive Environments in a Disordered World	0	0	0	0	47,500	47,500
Website Development	0	25,000	25,000	0	3,000	3,000
Memberships and Partnerships	282,949	0	282,949	250,996	0	250,996
Royalties & Editorial Income	173,228	0	173,228	178,456	0	178,456
Event Income	59,761	0	59,761	24,033	0	24,033
Investment Income	405	0	405	556	0	556
Other Income	9,729	0	9,729	10,149	0	10,149
TOTAL PUBLIC SUPPORT, GRANTS AND REVENUES	1,346,139	1,333,151	2,679,290	1,009,551	615,555	1,625,106
Net Assets Released from Restrictions:						
Restrictions Satisfied by Payments (Note 5)	851,348	(851,348)	0	693,460	(693,460)	0
TOTAL PUBLIC SUPPORT, REVENUE, AND NET ASSETS RELEASED FROM RESTRICTIONS	2,197,487	481,803	2,679,290	1,703,011	(77,905)	1,625,106
Functional Expenses (Page 11):						
Program Services	1,419,794	0	1,419,794	1,387,210	0	1,387,210
Supporting Services:						
Management and General	238,250	0	238,250	257,272	0	257,272
Fund Raising	178,522	0	178,522	152,591	0	152,591
TOTAL FUNCTIONAL EXPENSES	1,836,566	0	1,836,566	1,797,073	0	1,797,073
CHANGE IN NET ASSETS	360,921	481,803	842,724	(94,062)	(77,905)	(171,967)
Net Assets - Beginning	(293,445)	359,063	65,618	(199,383)	436,968	237,585
NET ASSETS - ENDING	\$ 67,476	\$ 840,866	\$ 908,342	\$ (293,445)	\$ 359,063	\$ 65,618

The accompanying notes are an integral part of these statements.

FOREIGN POLICY RESEARCH INSTITUTE
Statements of Cash Flows
For the Years Ended December 31, 2015 and 2014

	2015	2014
Cash Flows from Operating Activities:		
Change in Net Assets	\$ 842,724	\$ (171,967)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation	23,924	22,385
Decrease (Increase) in:		
Contracts Receivable	(416,400)	41,000
Other Receivables	7,931	(3,131)
Prepaid Expenses and Other Assets	6,625	(5,685)
Deposits	0	0
Increase (Decrease) in:		
Accounts Payable and Accrued Expenses	8,073	(26,026)
Deferred Income	(19,548)	43,768
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	453,329	(99,656)
Cash Flows from Investing Activities:		
Purchase of Equipment	(44,766)	(15,030)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	408,563	(114,686)
Cash and Cash Equivalents - Beginning	125,454	240,140
CASH AND CASH EQUIVALENTS - ENDING	\$ 534,017	\$ 125,454

The accompanying notes are an integral part of these statements.

FOREIGN POLICY RESEARCH INSTITUTE

Notes to Financial Statements

December 31, 2015 and 2014

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.

Grants 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, 2015 and 2014

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, 2015 and 2014.

The Institute's forms 990 for the years ended December 31, 2015, 2014 and 2013 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 28, 2016, 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>2015</u>	<u>2014</u>
Property and Equipment	\$ 242,442	\$ 197,678
Less: Accumulated Depreciation	<u>183,771</u>	<u>159,849</u>
PROPERTY AND EQUIPMENT, NET	<u>\$ 58,671</u>	<u>\$ 37,829</u>

Depreciation expense for the years ended December 31, 2015 and 2014 was \$23,924 and \$22,385, respectively.

FOREIGN POLICY RESEARCH INSTITUTE

Notes to Financial Statements

December 31, 2015 and 2014

NOTE 4 - Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes:

	<u>2015</u>	<u>2014</u>
Program: Asia	\$ 163,685	\$ 0
Program: Eurasia	41,923	0
Program: Teaching Military History & Center for the Study of America and the West	102,079	100,000
Program: Project on Democratic Transitions	0	4,437
Program: Think Tanks and Civil Societies	4,479	0
Program: Korean Study Trip for Teachers	0	85,000
Program: Other History Institutes for Teachers	45,807	0
Research: American Vulnerabilities	291,212	52,875
Research: Competitive Softpower	84,828	0
Research: The Moscow Consensus	38,431	0
Research: Putinomics	60,000	0
Research: Special Operations Forces as an Instrument of National Security Policy	0	50,000
Research: Modern Competitive Environments in a Disordered World	4,022	32,425
Research: Civil Religion and US Foreign Policy	0	4,409
Research: Managing the Second Nuclear Age	4,400	12,100
Research: Geopolitics of the Russian Far East	0	17,817
	<u> </u>	<u> </u>
TOTAL TEMPORARILY RESTRICTED NET ASSETS	<u>\$ 840,866</u>	<u>\$ 359,063</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>2015</u>	<u>2014</u>
Program: Asia	\$ 81,315	\$ 110,323
Program: Eurasia	16,077	0
Program: Middle East	150,000	105,055
Program: Teaching Military History & Center for the Study of America and the West	97,921	85,000
Program: Project on Democratic Transitions	19,438	30,018
Program: Think Tanks and Civil Societies	6,521	0
Program: Korean Study Trip for Teachers	73,166	0
Program: Other History Institutes for Teachers	54,193	0
Research: American Vulnerabilities	161,659	147,125
Research: Competitive Softpower	4,172	0
Research: Mideast	39,185	0
	<u> </u>	<u> </u>
SUBTOTAL	<u>\$ 703,647</u>	<u>\$ 477,521</u>

FOREIGN POLICY RESEARCH INSTITUTE

Notes to Financial Statements

December 31, 2015 and 2014

NOTE 5 - Net Assets Released from Restrictions (Continued)

SUBTOTAL (BROUGHT FORWARD)	\$ 703,647	\$ 477,521
Research: The Moscow Consensus	14,369	0
Research: Special Operations Forces as an Instrument of National Security Policy	50,000	0
Research: Investigative Journalism Project	0	10,000
Research: Modern Competitive Environments in a Disordered World	28,403	15,075
Research: Civil Religion and US Foreign Policy	4,409	0
Research: Managing the Second Nuclear Age	7,700	106,000
Research: Geopolitics of the Russian Far East	17,820	81,864
Website Development	25,000	3,000
	<u> </u>	<u> </u>
TOTAL RESTRICTIONS RELEASED	<u>\$ 851,348</u>	<u>\$ 693,460</u>

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. The Institute will match employee contributions of up to 5% of their eligible salary.

For the years ended December 31, 2015 and 2014, pension expense was \$21,991 and \$19,865, 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 \$8,275 with an increase occurring each January.

Rent expense for the years ended December 31, 2015 and 2014 was \$105,112 and \$103,657, respectively, which includes common building expenses.

The Institute also leases office equipment under long-term, noncancellable lease arrangements with minimum monthly payments of \$3,727, expiring from January 2016 through December 2020.

Office equipment lease expense for the years ended December 31, 2015 and 2014 was \$16,596 and \$26,544, respectively.

Future minimum annual lease payments are as follows:

2016	\$ 144,024
2017	127,571
2018	123,766
2019	126,286
2020	<u>128,805</u>
TOTAL	<u>\$ 650,452</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, 2015 and 2014, and have issued our report thereon dated July 28, 2016, which expressed an unmodified opinion on those financial statements, appears on page 1. Our audits were conducted 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 28, 2016

FOREIGN POLICY RESEARCH INSTITUTE
Supplementary Information
For the Years Ended December 31, 2015 and 2014

SCHEDULES OF FUNCTIONAL EXPENSES

	SUPPORTING SERVICES				Total 2015	Total 2014
	Program Services	Management and General	Fund Raising	Total Supporting Services		
Salaries	\$ 371,136	\$ 98,601	\$ 98,600	\$ 197,201	\$ 568,337	\$ 499,114
Employee Health and Retirement Benefits	42,520	11,082	11,081	22,163	64,683	64,730
Payroll Taxes	28,595	7,418	7,418	14,836	43,431	41,477
TOTAL SALARIES AND RELATED EXPENSES	<u>442,251</u>	<u>117,101</u>	<u>117,099</u>	<u>234,200</u>	<u>676,451</u>	<u>605,321</u>
Office and Equipment Rentals	68,734	52,527	7,119	59,646	128,380	142,422
Depreciation	13,816	9,436	672	10,108	23,924	22,385
Dissemination	19,557	2,998	26,145	29,143	48,700	42,372
Computer Expense	14,575	20,276	566	20,842	35,417	43,918
Honoraria and Stipends	450,089	0	0	0	450,089	465,972
Outside Services	9,568	6,535	466	7,001	16,569	23,170
Supplies and Postage	12,171	4,648	20,188	24,836	37,007	52,200
Telephone and Internet	6,279	3,984	341	4,325	10,604	20,440
Travel	141,103	791	115	906	142,009	92,563
Conferences and Lectures	192,671	423	135	558	193,229	233,560
Meetings	16,556	5,542	442	5,984	22,540	13,634
Subscriptions and Memberships	4,897	2,067	1,535	3,602	8,499	6,935
Insurance	7,259	4,957	353	5,310	12,569	13,015
Finance Charges	6,863	4,256	303	4,559	11,422	12,364
Other	13,405	2,709	3,043	5,752	19,157	6,802
TOTAL OTHER EXPENSES	<u>977,543</u>	<u>121,149</u>	<u>61,423</u>	<u>182,572</u>	<u>1,160,115</u>	<u>1,191,752</u>
TOTAL FUNCTIONAL EXPENSES 2015	<u>\$ 1,419,794</u>	<u>\$ 238,250</u>	<u>\$ 178,522</u>	<u>\$ 416,772</u>	<u>\$ 1,836,566</u>	
TOTAL FUNCTIONAL EXPENSES 2014	<u>\$ 1,387,210</u>	<u>\$ 257,272</u>	<u>\$ 152,591</u>	<u>\$ 409,863</u>	<u>\$ 1,797,073</u>	<u>\$ 1,797,073</u>