

FOREIGN POLICY RESEARCH INSTITUTE
FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015

**FOREIGN POLICY RESEARCH INSTITUTE
TABLE OF CONTENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015**

INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS	
STATEMENTS OF FINANCIAL POSITION	3
STATEMENTS OF ACTIVITIES	4
STATEMENTS OF CASH FLOWS	5
NOTES TO FINANCIAL STATEMENTS	6
SUPPLEMENTARY INFORMATION	
SCHEDULE OF FUNCTIONAL EXPENSES	11

INDEPENDENT AUDITORS' REPORT

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 statement of financial position as of December 31, 2016, and the related statements of activities and cash flows for the year 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 audit. We conducted our audit 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

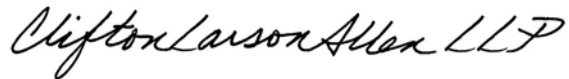
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Foreign Policy Research Institute as of December 31, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

The 2015 financial statements of Foreign Policy Research Institute were audited by other auditors, whose report dated July 28, 2016, expressed an unmodified opinion on those statements.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information as listed in the table of contents is presented for purposes of additional analysis and is 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 audit 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.



CliftonLarsonAllen LLP

Plymouth Meeting, Pennsylvania
May 31, 2017

**FOREIGN POLICY RESEARCH INSTITUTE
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2016 AND 2015**

	2016	2015
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 944,053	\$ 534,017
Grants Receivable (Note 1)	554,000	476,400
Royalties & Other Receivables	77,452	75,200
Prepaid Expenses and Other Assets	16,743	7,957
Total Current Assets	1,592,248	1,093,574
PROPERTY AND EQUIPMENT		
Equipment at Cost	248,441	242,441
Less: Accumulated Depreciation	(205,867)	(183,770)
Total Equipment	42,574	58,671
Office Lease Security Deposit	4,955	4,955
Total Assets	\$ 1,639,777	\$ 1,157,200
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable and Accrued Expenses	\$ 86,977	\$ 71,268
Deferred Income (Note 1)	175,393	177,590
Total Current Liabilities	262,370	248,858
NET ASSETS		
Unrestricted	61,136	67,476
Temporarily Restricted (Page 8 and Note 3)	1,316,271	840,866
Total Net Assets	1,377,407	908,342
Total Liabilities and Net Assets	\$ 1,639,777	\$ 1,157,200

See accompanying Notes to Financial Statements.

**FOREIGN POLICY RESEARCH INSTITUTE
STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2016 AND 2015**

	2016			2015		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUE						
Contributions	\$ 606,414	\$ -	\$ 606,414	\$ 820,067	\$ -	\$ 820,067
Grants (Note 3)	-	1,582,061	1,582,061	-	1,333,151	1,333,151
Memberships and Partnerships	234,070	-	234,070	282,949	-	282,949
Royalties & Editorial Income	175,922	-	175,922	173,228	-	173,228
Event Income	3,691	-	3,691	59,761	-	59,761
Investment Income	(4,685)	-	(4,685)	405	-	405
Other Income	9,407	-	9,407	9,729	-	9,729
Total Support	<u>1,024,819</u>	<u>1,582,061</u>	<u>2,606,880</u>	<u>1,346,139</u>	<u>1,333,151</u>	<u>2,679,290</u>
Net Assets Released from Restrictions (Note 3)	1,106,656	(1,106,656)	-	851,348	(851,348)	-
Total Support and Revenue	<u>2,131,475</u>	<u>475,405</u>	<u>2,606,880</u>	<u>2,197,487</u>	<u>481,803</u>	<u>2,679,290</u>
EXPENSES (Page 11)						
Program	1,706,750	-	1,706,750	1,419,794	-	1,419,794
Management and General	220,060	-	220,060	238,250	-	238,250
Fundraising	211,005	-	211,005	178,522	-	178,522
Total Expenses	<u>2,137,815</u>	<u>-</u>	<u>2,137,815</u>	<u>1,836,566</u>	<u>-</u>	<u>1,836,566</u>
CHANGE IN NET ASSETS	(6,340)	475,405	469,065	360,921	481,803	842,724
Net Assets - Beginning of Year	<u>67,476</u>	<u>840,866</u>	<u>908,342</u>	<u>(293,445)</u>	<u>359,063</u>	<u>65,618</u>
NET ASSETS - END OF YEAR	<u>\$ 61,136</u>	<u>\$ 1,316,271</u>	<u>\$ 1,377,407</u>	<u>\$ 67,476</u>	<u>\$ 840,866</u>	<u>\$ 908,342</u>

See accompanying Notes to Financial Statements.

**FOREIGN POLICY RESEARCH INSTITUTE
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2016 AND 2015**

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 469,065	\$ 842,724
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	22,097	23,924
(Increase) Decrease in:		
Grants Receivable	(77,600)	(416,400)
Royalties & Other Receivables	(2,252)	7,931
Prepaid Expenses and Deferred Charges	(8,786)	6,625
Decrease (Increase) in:		
Accounts Payable and Accrued Expenses	15,709	8,073
Deferred Income	(2,197)	(19,548)
Net Cash Provided by Operating Activities	416,036	453,329
 CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Property and Equipment	(6,000)	(44,766)
 INCREASE IN CASH AND CASH EQUIVALENTS	410,036	408,563
Cash and Cash Equivalents - Beginning of Year	534,017	125,454
 CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 944,053	\$ 534,017

See accompanying Notes to Financial Statements.

**FOREIGN POLICY RESEARCH INSTITUTE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Foreign Policy Research Institute (the "Institute") is devoted to bringing the insights of scholarships to bear on the development of policies that advance the United States of America's national interests. The 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 and partnership revenue is deferred at fiscal year end. 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 publication fees earned, but paid 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.

**FOREIGN POLICY RESEARCH INSTITUTE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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. Depreciation expense for the years ended December 31, 2016 and 2015 was \$22,097 and \$23,924, respectively.

Functional Expenses

The costs 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.

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 the 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 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, 2016 and 2015.

**FOREIGN POLICY RESEARCH INSTITUTE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reclassifications

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

Subsequent Events

In preparing these financial statements, the Institute has evaluated subsequent events and transactions for potential recognition or disclosure through May 31, 2017, the date the financial statements were available to be issued.

NOTE 2 CONCENTRATION OF CREDIT RISK

The Federal Deposit Insurance Corporation (FDIC) currently insures up to \$250,000 of substantially all depository accounts held at each financial institution. At various times during the year, the Institute's cash deposits may exceed the federally insured limits. The Institute has not experienced any losses in such accounts and management believes it is not exposed to any significant credit risk on its cash and cash equivalents.

NOTE 3 TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of the following at December 31, 2016:

	2016			
	Beginning Balance	Gifts Received	Released from Restrictions	Ending Balance
Programs: Asia	\$ 163,685	\$ 125,000	\$ (78,771)	\$ 209,914
Programs: Eurasia	41,923	260,000	(115,046)	186,877
Programs: Middle East	-	100,000	(100,000)	-
Programs: Teaching Military History & Center for the Study of America and the West	102,079	150,000	(99,060)	153,019
Programs: Think Tanks and Civil Societies	4,479	1,700	(5,318)	861
Programs: Japan Study Trip for Teachers	-	97,284	(97,284)	-
Programs: Other History Institutes for Teachers	45,807	-	-	45,807
Programs: The Weinburg Lecture	-	2,500	(2,500)	-
Research: American Vulnerabilities Project	291,212	200,000	(201,835)	289,377
Research: Competitive Softpower	84,828	-	(60,734)	24,094
Research: Development Economics During the Cold War	38,431	-	(26,538)	11,893
Research: Putinomics	60,000	-	(26,838)	33,162
Research: Modern Competitive Environments in a Disordered World	4,022	-	(630)	3,392
Research: Managing the Second Nuclear Age	4,400	-	-	4,400
Research: National Security	-	45,000	(21,213)	23,787
Research: Islam & the West	-	51,680	(51,680)	-
Research: Before the Age of Prejudice: A Muslim Woman's Story	-	150,000	(100,269)	49,731
Research: Nuclear Weapons and Russian-North Korean Relations	-	149,000	(4,110)	144,890
Research: Displacement & Dispossession in the 21st Century	-	60,000	-	60,000
Research: Engaging Arab Societies	-	114,400	(73,333)	41,067
Research: Website Development	-	13,000	(13,000)	-
Research: Outreach Development	-	12,497	(12,497)	-
Project: Staff Infrastructure	-	50,000	(16,000)	34,000
Total	<u>\$ 840,866</u>	<u>\$ 1,582,061</u>	<u>\$ (1,106,656)</u>	<u>\$ 1,316,271</u>

**FOREIGN POLICY RESEARCH INSTITUTE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015**

NOTE 3 TEMPORARILY RESTRICTED NET ASSETS (CONTINUED)

Temporarily restricted net assets consisted of the following at December 31, 2015:

	2015			Ending Balance
	Beginning Balance	Gifts Received	Released from Restrictions	
Programs: Asia	\$ -	\$ 245,000	\$ (81,315)	\$ 163,685
Programs: Eurasia	-	58,000	(16,077)	41,923
Programs: Middle East	-	150,000	(150,000)	-
Programs: Teaching Military History & Center for the Study of America and the West	100,000	100,000	(97,921)	102,079
Programs: Project on Democratic Transitions	4,437	15,000	(19,437)	-
Programs: Think Tanks and Civil Societies	-	11,000	(6,521)	4,479
Programs: Korea Study Trip for Teachers	85,000	(11,834)	(73,166)	-
Programs: Other History Institutes for Teachers	-	100,000	(54,193)	45,807
Research: American Vulnerabilities Project	52,875	400,000	(161,663)	291,212
Research: Competitive Softpower	-	89,000	(4,172)	84,828
Research: Development Economics During the Cold War	-	52,800	(14,369)	38,431
Research: Putinomics	-	60,000	-	60,000
Research: Special Operations Forces as an Instrument of National Security Policy	50,000	-	(50,000)	-
Research: Modern Competitive Environments in a Disordered World	32,425	-	(28,403)	4,022
Research: Civil Religion and US Foreign Policy	4,409	-	(4,409)	-
Research: Managing the Second Nuclear Age	12,100	-	(7,700)	4,400
Research: Geopolitics of the Russian Far East	17,817	-	(17,817)	-
Research: Islamism in America	-	39,185	(39,185)	-
Project: Website Development	-	25,000	(25,000)	-
Total	<u>\$ 359,063</u>	<u>\$ 1,333,151</u>	<u>\$ (851,348)</u>	<u>\$ 840,866</u>

NOTE 4 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 up to 5% of their eligible salary.

For the years ended December 31, 2016 and 2015, pension expense was \$26,468 and \$21,991, respectively.

FOREIGN POLICY RESEARCH INSTITUTE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015

NOTE 5 OPERATING LEASE COMMITMENTS

The Institute leases its office in Philadelphia, Pennsylvania under a long-term, non-cancellable lease arrangement expiring December 31, 2020. The current minimum monthly base rent is \$8,293 with an increase occurring each January.

Rent expense for the years ended December 31, 2016 and 2015 was \$113,695 and \$105,112, respectively, which includes common building expenses.

The Institute also leases office equipment under long-term, non-cancellable lease arrangements with minimum monthly payments of \$3,882, expiring from January 2017 through December 2020.

Office equipment lease expense for the years ended December 31, 2016 and 2015 was \$36,646 and \$16,596, respectively.

Future minimum annual lease payments are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2017	\$ 149,196
2018	133,738
2019	127,137
2020	<u>115,851</u>
Total	<u>\$ 525,922</u>

SUPPLEMENTARY INFORMATION

FOREIGN POLICY RESEARCH INSTITUTE
SCHEDULE OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2016
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2015)

	Supporting Services			2016 Total	2015 Total
	Program	Management and General	Fundraising		
Salaries	\$ 452,340	\$ 120,039	\$ 92,696	\$ 212,735	\$ 665,075
Employee Health and Retirement Benefits	51,006	15,200	10,513	25,713	76,719
Payroll Taxes	35,130	8,545	6,389	14,934	50,064
TOTAL SALARIES AND RELATED EXPENSES	538,476	143,784	109,598	253,382	791,858
Office and Equipment Rentals	41,602	8,400	5,026	13,426	55,028
Depreciation	13,424	7,831	842	8,673	22,097
Dissemination	18,292	1,064	43,403	44,467	62,759
Honoraria and Stipends	559,379	375	500	875	560,254
Information Systems	23,463	13,634	1,464	15,098	38,561
Occupancy	81,860	20,579	11,256	31,835	113,695
Outside Services	11,330	6,609	33,061	39,670	51,000
Supplies and Postage	21,874	718	1,372	2,090	23,964
Telephone and Internet	7,678	3,889	465	4,354	12,032
Travel	139,943	1,151	1,943	3,094	143,037
Conferences and Lectures	156,866	-	865	865	157,731
Meetings	27,963	4,056	146	4,202	32,165
Subscriptions and Memberships	-	-	-	-	8,499
Insurance	6,667	3,889	418	4,307	10,974
Finance Charges	4,404	2,436	262	2,698	7,102
Other	53,529	1,645	384	2,029	55,558
TOTAL OTHER EXPENSES	1,168,274	76,276	101,407	177,683	1,345,957
TOTAL FUNCTIONAL EXPENSES 2016	\$ 1,706,750	\$ 220,060	\$ 211,005	\$ 431,065	\$ 2,137,815
TOTAL FUNCTIONAL EXPENSES 2015	\$ 1,419,794	\$ 238,250	\$ 178,522	\$ 416,772	\$ 1,836,566