

FOREIGN POLICY RESEARCH INSTITUTE
FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
YEARS ENDED DECEMBER 31, 2017 AND 2016

CliftonLarsonAllen LLP



WEALTH ADVISORY | OUTSOURCING | AUDIT, TAX, AND CONSULTING



**FOREIGN POLICY RESEARCH INSTITUTE
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YEARS ENDED DECEMBER 31, 2017 AND 2016**

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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Foreign Policy Research Institute
Philadelphia, Pennsylvania

Report on the Financial Statements

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, 2017 and 2016, 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, 2017 and 2016, 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.

Report on Supplementary Information

Our audits were 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

CliftonLarsonAllen LLP

Plymouth Meeting, Pennsylvania
July 20, 2018

**FOREIGN POLICY RESEARCH INSTITUTE
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2017 AND 2016**

	2017	2016
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 1,185,048	\$ 944,053
Grants Receivable (Note 1)	405,350	554,000
Pledges Receivable	75,000	-
Royalties and Other Receivables	72,295	77,452
Prepaid Expenses and Other Assets	14,319	16,743
Total Current Assets	1,752,012	1,592,248
PLEDGES RECEIVABLE, NET OF CURRENT PORTION	135,050	-
PROPERTY AND EQUIPMENT		
Equipment at Cost	139,315	248,441
Less: Accumulated Depreciation	(117,042)	(205,867)
Total Equipment	22,273	42,574
OFFICE LEASE SECURITY DEPOSIT	4,955	4,955
Total Assets	\$ 1,914,290	\$ 1,639,777
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable and Accrued Expenses	\$ 122,348	\$ 86,977
Deferred Income (Note 1)	179,919	175,393
Total Current Liabilities	302,267	262,370
NET ASSETS (DEFICIT)		
Unrestricted	(24,429)	61,136
Temporarily Restricted (Page 9 and Note 4)	1,636,452	1,316,271
Total Net Assets	1,612,023	1,377,407
Total Liabilities and Net Assets	\$ 1,914,290	\$ 1,639,777

See accompanying Notes to Financial Statements.

**FOREIGN POLICY RESEARCH INSTITUTE
STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2017 AND 2016**

	2017			2016		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUE						
Contributions	\$ 641,238	\$ 338,120	\$ 979,358	\$ 606,414	\$ 195,497	\$ 801,911
Grants	-	1,292,111	1,292,111	-	1,386,564	1,386,564
Memberships and Partnerships	221,030	-	221,030	234,070	-	234,070
Royalties and Editorial Income	165,965	-	165,965	175,922	-	175,922
Event Income	25,269	-	25,269	3,691	-	3,691
Investment Loss	(1,058)	-	(1,058)	(4,685)	-	(4,685)
Other Income	1,182	-	1,182	9,407	-	9,407
Total Support	<u>1,053,626</u>	<u>1,630,231</u>	<u>2,683,857</u>	<u>1,024,819</u>	<u>1,582,061</u>	<u>2,606,880</u>
Net Assets Released from Restrictions	<u>1,310,050</u>	<u>(1,310,050)</u>	<u>-</u>	<u>1,106,656</u>	<u>(1,106,656)</u>	<u>-</u>
Total Support and Revenue	<u>2,363,676</u>	<u>320,181</u>	<u>2,683,857</u>	<u>2,131,475</u>	<u>475,405</u>	<u>2,606,880</u>
EXPENSES						
Program	1,968,822	-	1,968,822	1,706,750	-	1,706,750
Management and General	286,551	-	286,551	220,060	-	220,060
Fundraising	193,868	-	193,868	211,005	-	211,005
Total Expenses	<u>2,449,241</u>	<u>-</u>	<u>2,449,241</u>	<u>2,137,815</u>	<u>-</u>	<u>2,137,815</u>
CHANGE IN NET ASSETS	(85,565)	320,181	234,616	(6,340)	475,405	469,065
Net Assets - Beginning 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>
NET ASSETS (DEFICIT) - END OF YEAR	<u>\$ (24,429)</u>	<u>\$ 1,636,452</u>	<u>\$ 1,612,023</u>	<u>\$ 61,136</u>	<u>\$ 1,316,271</u>	<u>\$ 1,377,407</u>

See accompanying Notes to Financial Statements.

**FOREIGN POLICY RESEARCH INSTITUTE
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 234,616	\$ 469,065
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	20,301	22,097
Grants Restricted for Long-Term Purposes (Increase) Decrease in:		
Grants Receivable	148,650	(77,600)
Royalties and Other Receivables	5,157	(2,252)
Pledges Receivable	(210,050)	-
Prepaid Expenses and Deferred Charges	2,424	(8,786)
Decrease (Increase) in:		
Accounts Payable and Accrued Expenses	35,371	15,709
Deferred Income	4,526	(2,197)
Net Cash Provided by Operating Activities	240,995	416,036
 CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Property and Equipment	-	(6,000)
 INCREASE IN CASH AND CASH EQUIVALENTS	240,995	410,036
Cash and Cash Equivalents - Beginning of Year	944,053	534,017
 CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 1,185,048	\$ 944,053

See accompanying Notes to Financial Statements.

**FOREIGN POLICY RESEARCH INSTITUTE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

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
DECEMBER 31, 2017 AND 2016**

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, 2017 and 2016 was \$20,301 and \$22,097, 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 noncash 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, 2017 and 2016.

**FOREIGN POLICY RESEARCH INSTITUTE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

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 July 20, 2018, 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 PLEDGES RECEIVABLE

The Institute records unconditional promises to give as pledges receivable. Accounts are individually analyzed for collectability. Management determined no allowance for bad debts was necessary at December 31, 2017. Pledges due beyond one year are discounted to the present value using a discount rate of 1.89%.

Pledges receivable consisted of the following at December 31:

	2017	2016
Receivable in Less Than One Year	\$ 75,000	\$ -
Receivable in One to Five Years	140,000	-
Total	<u>215,000</u>	<u>-</u>
Less: Discounts to Present Value	4,950	-
Net Contribution Receivable	<u>\$ 210,050</u>	<u>\$ -</u>

**FOREIGN POLICY RESEARCH INSTITUTE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

NOTE 4 TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of the following at December 31, 2017:

	Beginning Balance	Gifts Received	Released from Restrictions	Ending Balance
Programs: Asia	\$ 209,914	\$ 125,000	\$ (110,780)	\$ 224,134
Programs: Eurasia	186,877	210,000	(246,876)	150,001
Programs: Middle East	-	100,000	(100,000)	-
Programs: Teaching Military History & Center for the Study of America and the West	153,019	50,000	(148,003)	55,016
Programs: America and the West	-	225,050	-	225,050
Programs: Think Tanks and Civil Societies	861	49,250	(37,858)	12,253
Programs: 2018 Japan Study Trip for Teachers	-	105,386	-	105,386
Programs: Other History Institutes for Teachers	45,807	-	(23,250)	22,557
Fellows: Templeton Fellows	-	100,000	-	100,000
Fellows: Veterans Fellow	-	75,000	(21,093)	53,907
Research: American Vulnerabilities Project	289,377	-	(205,055)	84,322
Research: Competitive Softpower	24,094	-	(16,873)	7,221
Research: Development Economics During the Cold War	11,893	-	(11,893)	-
Research: Putinomics	33,162	-	(33,162)	-
Research: Modern Competitive Environments in a Disordered World	3,392	-	(9)	3,383
Research: Managing the Second Nuclear Age	4,400	-	-	4,400
Research: National Security	23,787	-	(23,787)	-
Rise of America's Special Operations Forces	-	45,000	(22,029)	22,971
Research: What is War?	-	50,000	(18,926)	31,074
Research: Before the Age of Prejudice: A Muslim Woman's Story	49,731	-	(49,731)	-
Research: Nuclear Weapons and Russian-North Korean Relations	144,890	-	(128,525)	16,365
Research: Displacement & Dispossession in the 21st Century	60,000	-	(11,122)	48,878
Research: Russia's Political Economy	-	190,000	(38,164)	151,836
Research: Russian Power in the Pacific	-	150,100	-	150,100
Research: Reassessing the Jihadi Threat and Restoring Stability in the Fertile Crescent	-	102,400	(6,177)	96,223
Research: Teaching Critical Thinking with Historiography	-	9,975	-	9,975
Research: Engaging Arab Societies	41,067	-	(14,667)	26,400
Project: Intern Scholarships	-	10,000	-	10,000
Projects: Staff Infrastructure, Website, and Outreach Development	34,000	8,070	(42,070)	-
Pledges for Operations: Restricted for Time	-	25,000	-	25,000
Total	<u>\$ 1,316,271</u>	<u>\$ 1,630,231</u>	<u>\$ (1,310,050)</u>	<u>\$ 1,636,452</u>

**FOREIGN POLICY RESEARCH INSTITUTE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

NOTE 4 TEMPORARILY RESTRICTED NET ASSETS (CONTINUED)

Temporarily restricted net assets consisted of the following at December 31, 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
Projects: Staff Infrastructure, Website, and Outreach Development	-	75,497	(41,497)	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
DECEMBER 31, 2017 AND 2016**

NOTE 5 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, 2017 and 2016, pension expense was \$27,537 and \$26,468, respectively.

NOTE 6 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 \$8,293 with an increase occurring each January.

Rent expense for the years ended December 31, 2017 and 2016 was \$115,315 and \$113,695, respectively, which includes common building expenses.

The Institute also leases office equipment under long-term, noncancellable 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, 2017 and 2016 was \$47,299 and \$36,646, respectively.

Future minimum annual lease payments are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2018	\$ 133,738
2019	127,137
2020	115,851
Total	<u>\$ 376,726</u>

FOREIGN POLICY RESEARCH INSTITUTE
SCHEDULE OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2017
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2016)

	Program	Supporting Services			2017 Total	2016 Total
		Management and General	Fundraising	Total Supporting Services		
Salaries	\$ 475,360	\$ 130,179	\$ 99,441	\$ 229,620	\$ 704,980	\$ 665,075
Employee Health and Retirement Benefits	57,037	11,621	7,562	19,183	76,220	76,719
Payroll Taxes	37,788	9,625	7,206	16,831	54,619	50,064
Total Salaries and Related Expenses	<u>570,185</u>	<u>151,425</u>	<u>114,209</u>	<u>265,634</u>	<u>835,819</u>	<u>791,858</u>
Office and Equipment Rentals	48,001	10,695	6,285	16,980	64,981	55,028
Depreciation	12,443	7,359	499	7,858	20,301	22,097
Dissemination	12,924	-	46,127	46,127	59,051	62,759
Honoraria and Stipends	735,819	495	-	495	736,314	560,254
Information Systems	32,722	18,944	1,286	20,230	52,952	38,561
Occupancy	83,273	20,934	11,450	32,384	115,657	113,695
Outside Services	7,559	4,471	9,063	13,534	21,093	51,000
Supplies and Postage	31,848	1,922	1,521	3,443	35,291	23,964
Telephone and Internet	8,187	4,057	311	4,368	12,555	12,032
Travel	117,858	2,984	1,584	4,568	122,426	143,037
Conferences and Lectures	239,979	1,460	199	1,659	241,638	157,731
Meetings	18,852	4,644	401	5,045	23,897	32,165
Insurance	8,066	4,771	324	5,095	13,161	10,974
Finance Charges	6,031	2,542	173	2,715	8,746	7,102
Other	35,075	49,848	436	50,284	85,359	55,558
Total Other Expenses	<u>1,398,637</u>	<u>135,126</u>	<u>79,659</u>	<u>214,785</u>	<u>1,613,422</u>	<u>1,345,957</u>
Total Functional Expenses 2017	<u>\$ 1,968,822</u>	<u>\$ 286,551</u>	<u>\$ 193,868</u>	<u>\$ 480,419</u>	<u>\$ 2,449,241</u>	
Total Functional Expenses 2016	<u>\$ 1,706,750</u>	<u>\$ 220,060</u>	<u>\$ 211,005</u>	<u>\$ 431,065</u>		<u>\$ 2,137,815</u>



Investment advisory services are offered through CliftonLarsonAllen
Wealth Advisors, LLC, an SEC-registered investment advisor.