

**FOREIGN POLICY RESEARCH INSTITUTE
FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018**



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**FOREIGN POLICY RESEARCH INSTITUTE
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YEARS ENDED DECEMBER 31, 2019 AND 2018**

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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, 2019 and 2018, and the related statements of activities, functional expenses, 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, 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.

Adoption of New Accounting Standards

As discussed in Note 1 to the financial statements, Foreign Policy Research Institute has adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers* and ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. Our opinion is not modified with respect to these matters.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP

Plymouth Meeting, Pennsylvania
June 18, 2020

**FOREIGN POLICY RESEARCH INSTITUTE
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2019 AND 2018**

	2019	2018
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 902,099	\$ 863,725
Grants Receivable (Note 1)	332,935	350,000
Investments	28,939	6,462
Pledges Receivable (Note 5)	75,000	60,000
Royalties and Other Receivables	58,507	64,724
Prepaid Expenses and Other Assets	9,427	19,335
Total Current Assets	1,406,907	1,364,246
PLEDGES RECEIVABLE, NET OF CURRENT PORTION	58,583	86,878
PROPERTY AND EQUIPMENT		
Equipment at Cost	165,640	139,315
Less: Accumulated Depreciation	(142,971)	(132,961)
Total Property and Equipment	22,669	6,354
OFFICE LEASE SECURITY DEPOSIT	4,955	4,955
Total Assets	\$ 1,493,114	\$ 1,462,433
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable and Accrued Expenses	\$ 110,202	\$ 107,764
Deferred Income (Note 1)	170,036	186,259
Total Current Liabilities	280,238	294,023
NET ASSETS		
Without Donor Restrictions	112,218	51,818
With Donor Restrictions (Note 6)	1,100,658	1,116,592
Total Net Assets	1,212,876	1,168,410
Total Liabilities and Net Assets	\$ 1,493,114	\$ 1,462,433

See accompanying Notes to Financial Statements.

**FOREIGN POLICY RESEARCH INSTITUTE
STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2019 AND 2018**

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE						
Contributions	\$ 620,332	\$ 272,692	\$ 893,024	\$ 662,942	\$ 235,000	\$ 897,942
Grants	-	1,103,304	1,103,304	-	698,000	698,000
Memberships and Partnerships	229,523	-	229,523	228,428	-	228,428
Royalties and Editorial Income	154,619	-	154,619	162,640	-	162,640
Event Income	21,853	-	21,853	21,234	-	21,234
Investment Income, Net	4,528	-	4,528	2,969	-	2,969
Other Income	1,794	-	1,794	25,048	-	25,048
Total Support	<u>1,032,649</u>	<u>1,375,996</u>	<u>2,408,645</u>	<u>1,103,261</u>	<u>933,000</u>	<u>2,036,261</u>
Net Assets Released from Restrictions	1,391,930	(1,391,930)	-	1,452,860	(1,452,860)	-
Total Support and Revenue	<u>2,424,579</u>	<u>(15,934)</u>	<u>2,408,645</u>	<u>2,556,121</u>	<u>(519,860)</u>	<u>2,036,261</u>
EXPENSES						
Program	1,913,931	-	1,913,931	2,076,757	-	2,076,757
Management and General	254,783	-	254,783	226,543	-	226,543
Fundraising	195,465	-	195,465	176,574	-	176,574
Total Expenses	<u>2,364,179</u>	<u>-</u>	<u>2,364,179</u>	<u>2,479,874</u>	<u>-</u>	<u>2,479,874</u>
CHANGE IN NET ASSETS	60,400	(15,934)	44,466	76,247	(519,860)	(443,613)
Net Assets - Beginning of Year	<u>51,818</u>	<u>1,116,592</u>	<u>1,168,410</u>	<u>(24,429)</u>	<u>1,636,452</u>	<u>1,612,023</u>
NET ASSETS - END OF YEAR	<u>\$ 112,218</u>	<u>\$ 1,100,658</u>	<u>\$ 1,212,876</u>	<u>\$ 51,818</u>	<u>\$ 1,116,592</u>	<u>\$ 1,168,410</u>

See accompanying Notes to Financial Statements.

**FOREIGN POLICY RESEARCH INSTITUTE
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2019**

	Supporting Services				Total
	Program	Management and General	Fundraising	Total Supporting Services	
Salaries	\$ 619,902	\$ 132,035	\$ 104,634	\$ 236,669	\$ 856,571
Employee Health and Retirement Benefits	51,947	12,181	8,312	20,493	72,440
Payroll Taxes	42,933	12,115	9,962	22,077	65,010
Total Salaries and Related Expenses	<u>714,782</u>	<u>156,331</u>	<u>122,908</u>	<u>279,239</u>	<u>994,021</u>
Office and Equipment Rentals	10,504	4,753	341	5,094	15,598
Depreciation	6,741	3,050	219	3,269	10,010
Dissemination	33,771	1,533	46,828	48,361	82,132
Honoraria and Stipends	690,781	30	-	30	690,811
Information Systems	39,186	17,714	1,652	19,366	58,552
Occupancy	73,369	28,109	17,628	45,737	119,106
Outside Services	12,738	5,538	397	5,935	18,673
Supplies and Postage	35,751	4,683	1,525	6,208	41,959
Telephone and Internet	7,834	3,456	248	3,704	11,538
Travel	68,907	8,887	1,052	9,939	78,846
Conferences and Lectures	168,945	-	975	975	169,920
Meetings	12,873	10,337	49	10,386	23,259
Subscriptions and Memberships	247	409	-	409	656
Insurance	10,055	4,550	326	4,876	14,931
Finance Charges	3,978	1,547	111	1,658	5,636
Other	23,469	3,856	1,206	5,062	28,531
Total Other Expenses	<u>1,199,149</u>	<u>98,452</u>	<u>72,557</u>	<u>171,009</u>	<u>1,370,158</u>
Total Functional Expenses	<u>\$ 1,913,931</u>	<u>\$ 254,783</u>	<u>\$ 195,465</u>	<u>\$ 450,248</u>	<u>\$ 2,364,179</u>

See accompanying Notes to Financial Statements.

**FOREIGN POLICY RESEARCH INSTITUTE
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2018**

	Supporting Services				Total
	Program	Management and General	Fundraising	Total Supporting Services	
Salaries	\$ 579,817	\$ 110,018	\$ 84,426	\$ 194,444	\$ 774,261
Employee Health and Retirement Benefits	64,956	15,542	12,002	27,544	92,500
Payroll Taxes	41,641	9,688	7,678	17,366	59,007
Total Salaries and Related Expenses	<u>686,414</u>	<u>135,248</u>	<u>104,106</u>	<u>239,354</u>	<u>925,768</u>
Office and Equipment Rentals	21,325	9,326	712	10,038	31,363
Depreciation	10,824	4,733	362	5,095	15,919
Dissemination	37,839	-	46,887	46,887	84,726
Honoraria and Stipends	653,602	1,260	-	1,260	654,862
Information Systems	33,155	14,392	1,630	16,022	49,177
Occupancy	85,962	22,826	12,627	35,453	121,415
Outside Services	14,982	6,377	2,237	8,614	23,596
Supplies and Postage	33,438	2,676	1,630	4,306	37,744
Telephone and Internet	8,460	3,337	272	3,609	12,069
Travel	212,862	4,292	1,381	5,673	218,535
Conferences and Lectures	199,771	-	680	680	200,451
Meetings	12,571	6,967	747	7,714	20,285
Subscriptions and Memberships	3,836	6,036	2,825	8,861	12,697
Insurance	9,881	4,321	330	4,651	14,532
Finance Charges	5,599	1,941	148	2,089	7,688
Other	46,236	2,811	-	2,811	49,047
Total Other Expenses	<u>1,390,343</u>	<u>91,295</u>	<u>72,468</u>	<u>163,763</u>	<u>1,554,106</u>
Total Functional Expenses	<u>\$ 2,076,757</u>	<u>\$ 226,543</u>	<u>\$ 176,574</u>	<u>\$ 403,117</u>	<u>\$ 2,479,874</u>

See accompanying Notes to Financial Statements.

**FOREIGN POLICY RESEARCH INSTITUTE
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2019 AND 2018**

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 44,466	\$ (443,613)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation	10,010	15,919
Net Realized and Unrealized Loss on Investments	1,231	1,808
(Increase) Decrease in:		
Grants Receivable	17,065	55,350
Royalties and Other Receivables	6,217	7,571
Pledges Receivable	13,295	63,172
Prepaid Expenses and Other Assets	9,908	(5,016)
(Increase) Decrease in:		
Accounts Payable and Accrued Expenses	(23,887)	(14,584)
Deferred Income	(16,223)	6,340
Net Cash Provided (Used) by Operating Activities	62,082	(313,053)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Investments	(97,685)	(58,513)
Proceeds from Sale of Investments	73,977	50,243
Net Cash Used by Investing Activities	(23,708)	(8,270)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	38,374	(321,323)
Cash and Cash Equivalents - Beginning of Year	863,725	1,185,048
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 902,099	\$ 863,725
SUPPLEMENTAL DISCLOSURE OF NONCASH FINANCING ACTIVITIES		
Equipment Acquired through Capital Lease	\$ 26,325	\$ -

See accompanying Notes to Financial Statements.

**FOREIGN POLICY RESEARCH INSTITUTE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

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 two classes of net assets: net assets with donor restrictions and net assets without donor restrictions, depending on the existence or absence of any donor restrictions.

Promises to Give and Contributions (Grants 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 net assets with donor restrictions or net assets without donor restrictions depending on the existence or absence 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, net assets with donor restrictions are reclassified as net assets without donor restrictions 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 contributions without donor restrictions in the accompanying financial statements.

A portion of the Institute's revenue is derived from cost reimbursable contracts and grants, which are conditioned upon certain performance requirements or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Institute has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statement of financial position. The Institute received cost reimbursable grants of \$373,000 of which \$335,700 have not been recognized as of December 31, 2019 because qualifying expenditures have not yet been incurred.

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.

**FOREIGN POLICY RESEARCH INSTITUTE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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. Depreciation expense for the years ended December 31, 2019 and 2018 was \$10,010 and \$15,919, respectively.

Functional Expenses

The costs of the Institute's programs and supporting services have been reported on a functional basis. This requires the allocation of certain costs among the various programs and supporting services benefited based on direct charges or time and effort.

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 grants 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.

Investments

Investments are recorded at fair value based upon quoted market prices. Realized and unrealized gains and losses are reflected in the statement of activities as investment income. Investment transactions are recorded on the trade date.

The Institute uses a three-level fair value hierarchy that prioritizes the inputs used to measure fair value. This hierarchy maximizes the use of observable inputs and minimizes the use of unobservable inputs. The three levels of inputs used to measure fair value are as follows:

Level 1 – Quoted prices in active markets for identical assets or liabilities.

**FOREIGN POLICY RESEARCH INSTITUTE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments (Continued)

Level 2 – Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. This includes certain pricing models, discounted cash flow methodologies, and similar techniques that use significant unobservable inputs.

Equity securities and mutual funds valued using Level 1 inputs are traded on an active exchange. The Institute does not have any securities that are valued using Level 2 or Level 3 inputs.

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 (IRC) 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, 2019 and 2018.

Reclassifications

Certain reclassifications have been made to the 2018 amounts to conform to the 2019 presentation.

**FOREIGN POLICY RESEARCH INSTITUTE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Newly Adopted Accounting Standards

As of January 1, 2019, the Institute adopted the accounting guidance in Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)* using the modified retrospective method of transition. The core principle of Topic 606 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. To achieve that core principle, an entity should apply the following steps: (1) identify the contract(s) with a customer, (2) identify the performance obligations in the contract, (3) determine the transaction price, (4) allocate the transaction price to the performance obligations in the contract, and (5) recognize revenue when (or as) the entity satisfies a performance obligation. The Institute's financial statements reflect the application of this guidance for the year ended December 31, 2019. No cumulative-effect adjustment to net assets was recorded because the adoption did not impact the Institute's previously reported revenue.

As of January 1, 2019, the Institute adopted the accounting guidance in FASB ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* using the modified prospective method of transition. The new guidance is intended to clarify and improve accounting guidance for contributions received and contributions made. The amendments in this ASU should assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. The Institute's financial statements reflect the application of this guidance for the year ended December 31, 2019. No cumulative-effect adjustment to net assets was recorded because the adoption did not impact the Institute's previously reported contributions.

Recent Accounting Pronouncements

In February 2016, the FASB issued ASU 2016-02, *Leases*. The ASU establishes guidance that will result in a more faithful representation of the rights and obligations arising from leases by requiring lessees to recognize the lease assets and lease liabilities that arise from leases in the statement of financial position and to disclose qualitative and quantitative information about lease transactions. The new guidance will result in fewer opportunities for organizations to structure leasing transactions to achieve a particular accounting outcome on the statement of financial position and will improve the understanding and comparability of lessees' financial commitments regardless of the manner they choose to finance the assets used in their businesses. The provisions of ASU 2016-02 are effective for fiscal years beginning after December 15, 2021 with early adoption permitted. The Institute is assessing the impact this standard will have on its financial statements.

Subsequent Events

In preparing these financial statements, the Institute has evaluated subsequent events and transactions for potential recognition or disclosure through June 18, 2020, the date the financial statements were available to be issued.

**FOREIGN POLICY RESEARCH INSTITUTE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Subsequent Events (Continued)

Subsequent to year-end, the World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses, and communities. Specific to the Institute, COVID-19 may impact various parts of its 2020 operations, financial results, and financial condition. Management believes the Institute is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as these events occurred subsequent to year-end and are still developing.

Subsequent to year-end, the Institute received a loan in the amount of \$167,100 to fund payroll, rent, and utilities through the federal Paycheck Protection Program, an initiative of the Coronavirus Aid, Relief, and Economic Security (CARES) Act, passed by Congress in response to COVID-19. This amount may be forgiven subject to compliance and approval based on the timing and use of these funds in accordance with the program.

Subsequent to year end, the Institute extended the lease of their current office space for one year through December 31, 2021 with an option to renew for an additional year through December 31, 2022. The rent for the extension period is subject to a 3% increase.

NOTE 2 REVENUE FROM CONTRACTS WITH CUSTOMERS

Performance Obligations and Revenue Recognition

Memberships and partnerships revenue are on an anniversary-date basis and are recognized ratably over the membership/partnership period. Royalty and editorial income is recognized ratably over the periods covered. Grant revenue is recognized as expenditures are made for the particular grant. Any payments received prior to year-end related to future periods are recorded as deferred income in the accompanying statements of financial position. Deferred income includes the unearned portion of memberships, partnerships and editorial income at the end of the fiscal year. Grants receivable is revenue earned under the grant but not yet received. Royalties receivable is revenue earned under the royalty agreement but not yet received.

The following table shows the Institute's revenues disaggregated according to the timing of the transfer of goods or services and by source for the year ended December 31, 2019:

Revenue Recognized at a Point in Time:	
Grants	<u>\$ 140,219</u>
Revenue Recognized Over Time:	
Memberships	\$ 82,397
Partnerships	147,126
Royalties	54,619
Editorial Income	<u>100,000</u>
Total	<u>\$ 384,142</u>

**FOREIGN POLICY RESEARCH INSTITUTE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

NOTE 2 REVENUE FROM CONTRACTS WITH CUSTOMERS (CONTINUED)

Performance Obligations and Revenue Recognition (Continued)

The Institute's contract assets and liabilities consist of the following at December 31, 2019:

Contract Assets:	
Accounts Receivable - Grants	\$ 37,300
Accounts Receivable - Royalties	53,732
	<u>\$ 91,032</u>
Contract Liabilities:	
Deferred Revenue - Memberships	\$ 41,134
Deferred Revenue - Partnerships	78,902
Deferred Revenue - Editorial Income	50,000
Total	<u>\$ 170,036</u>

Transaction Price

Revenue, or transaction price, is measured as the amount of consideration expected to be received in exchange for transferring goods or services. Memberships and partnerships are reported at established rates. Editorial income is a fixed fee paid biannually as outlined in an executed contract. Royalties is a variable amount that is paid out once a certain dollar amount has been achieved. Grants are determined under the executed agreement.

Contract Balances

Revenue from memberships and partnerships is recognized ratably over the membership year. The Institute's performance obligations are to provide a minimum number of scheduled programs each year, impromptu briefings, and regular bulletins. As these performance obligations are satisfied over the course of a year, deferred income is reduced. Royalty and editorial income is recognized ratably throughout the term of the contract. The Institute's performance obligation is to review editorial content in exchange for a fixed fee, paid biannually. The balance of deferred income represents an installment payment received in advance for editorial services to be rendered the following year and accordingly, deferred income will be reduced as this performance obligation is satisfied subsequent to year-end.

Practical Expedient

Because all of its performance obligations relate to contracts with a duration of less than one year, the Institute has elected to apply the optional exemption provided in FASB ASC 606-10-50-14(a) and, therefore, is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period.

**FOREIGN POLICY RESEARCH INSTITUTE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

NOTE 3 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 4 INVESTMENTS

Investments consist of the following at December 31:

	<u>2019</u>	<u>2018</u>
Equity Securities	\$ 17,612	\$ 6,462
Mutual Fund	11,327	-
Total Investments	<u>\$ 28,939</u>	<u>\$ 6,462</u>

Investment income consists of the following for the years ended December 31:

	<u>2019</u>	<u>2018</u>
Interest and Dividends	\$ 5,759	\$ 4,777
Net Realized and Unrealized Loss on Investments	(1,231)	(1,808)
Total Investment Income, Net	<u>\$ 4,528</u>	<u>\$ 2,969</u>

NOTE 5 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, 2019 and 2018. Pledges due beyond one year are discounted to the present value using a discount rate of 1.59%.

Pledges receivable consisted of the following at December 31:

	<u>2019</u>	<u>2018</u>
Receivable in Less Than One Year	\$ 75,000	\$ 60,000
Receivable in One to Five Years	60,000	90,000
Total	135,000	150,000
Less: Discounts to Present Value	1,417	3,122
Net Contribution Receivable	<u>\$ 133,583</u>	<u>\$ 146,878</u>

**FOREIGN POLICY RESEARCH INSTITUTE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

NOTE 6 NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes or periods and net assets were released from donor restrictions by satisfying time and purpose restrictions as follows for the years ended at December 31, 2019:

	Beginning Balance	Gifts Received	Released from Restrictions	Ending Balance
Restricted for Purpose:				
Programs: Asia	\$ 180,320	\$ 135,000	\$ (180,320)	\$ 135,000
Programs: Eurasia	187,304	266,050	(238,353)	215,001
Programs: Middle East	49,151	76,000	(121,195)	3,956
Programs: Teaching Military History & Center for the Study of America and the West	164,350	-	(74,418)	89,932
Programs: Think Tanks and Civil Societies	7,110	-	(7,110)	-
Programs: Education	-	95,390	(40,399)	54,991
Fellows: Distinguished Research Fellow	49,237	100,000	(102,282)	46,955
Fellows: Templeton Fellows	99,930	100,000	(105,000)	94,930
Fellows: Veterans Fellow	27,000	25,000	(27,000)	25,000
Research: American Vulnerabilities Project	55,548	-	(37,736)	17,812
Research: Managing the Second Nuclear Age	4,400	-	-	4,400
Research: The "New Turkey" Revolution	-	149,600	-	149,600
Research: Displacement & Dispossession in the 21st Century	48,878	-	(7,738)	41,140
Research: Russian Power in the Pacific	85,031	-	(72,923)	12,108
Research: Engaging Arab Societies	26,400	-	-	26,400
Research: The Hunt for Mobile Missiles and Nuclear Stability	72,817	-	(54,174)	18,643
Research: Cyber Intrusion and the Threat to the U.S. Economy	40,129	-	(21,123)	19,006
Research: Democracy in Iraq	-	22,435	(10,009)	12,426
Research: U.S. Presence in the Middle East	-	65,000	(65,000)	-
Research: Criteria for Nuclear Forces	-	102,919	(102,919)	-
Research: Foreign Influence Election 2020	-	100,000	(18,897)	81,103
Research: Mapping Russia's Economic Leverage	-	100,000	(78,695)	21,305
Research: Military Defense & US Sanctions	-	37,300	(26,639)	10,661
Project: Intern Scholarships	8,987	1,302	-	10,289
Restricted for Purpose	<u>1,106,592</u>	<u>1,375,996</u>	<u>(1,391,930)</u>	<u>1,090,658</u>
Restricted for Time:				
Pledges for Operations: Restricted for Time	10,000	-	-	10,000
Total	<u>\$ 1,116,592</u>	<u>\$ 1,375,996</u>	<u>\$ (1,391,930)</u>	<u>\$ 1,100,658</u>

**FOREIGN POLICY RESEARCH INSTITUTE
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NOTE 6 NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)

Net assets with donor restrictions are restricted for the following purposes or periods and net assets were released from donor restrictions by satisfying time and purpose restrictions as follows for the years ended at December 31, 2018:

	Beginning Balance	Gifts Received	Released from Restrictions	Ending Balance
Restricted for Purpose:				
Programs: Asia	\$ 224,134	\$ 125,000	\$ (168,814)	\$ 180,320
Programs: Eurasia	150,001	280,000	(242,697)	187,304
Programs: Middle East	-	125,000	(75,849)	49,151
Programs: Teaching Military History & Center for the Study of America and the West	280,066	-	(115,716)	164,350
Programs: Think Tanks and Civil Societies	12,253	-	(5,143)	7,110
Programs: 2018 Japan Study Trip for Teachers	105,386	-	(105,386)	-
Programs: Other History Institutes for Teachers	22,557	-	(22,557)	-
Fellows: Distinguished Research Fellow	-	100,000	(50,763)	49,237
Fellows: Templeton Fellows	100,000	100,000	(100,070)	99,930
Fellows: Veterans Fellow	53,907	36,000	(62,907)	27,000
Research: American Vulnerabilities Project	84,322	-	(28,774)	55,548
Research: Competitive Softpower	7,221	-	(7,221)	-
Research: Modern Competitive Environments in a Disordered World	3,383	-	(3,383)	-
Research: Managing the Second Nuclear Age	4,400	-	-	4,400
Rise of America's Special Operations Forces	22,971	-	(22,971)	-
Research: What is War?	31,074	-	(31,074)	-
Research: Nuclear Weapons and Russian-North Korean Relations	16,365	-	(16,365)	-
Research: Displacement & Dispossession in the 21st Century	48,878	-	-	48,878
Research: Russia's Political Economy	151,836	-	(151,836)	-
Research: Russian Power in the Pacific	150,100	-	(65,069)	85,031
Research: Reassessing the Jihadi Threat and Restoring Stability in the Fertile Crescent	96,223	-	(96,223)	-
Research: Teaching Critical Thinking with Historiography	9,975	-	(9,975)	-
Research: Engaging Arab Societies	26,400	-	-	26,400
Research: The Hunt for Mobile Missiles and Nuclear Stability	-	91,000	(18,183)	72,817
Research: Cyber Intrusion and the Threat to the U.S. Economy	-	66,000	(25,871)	40,129
Project: Intern Scholarships	10,000	-	(1,013)	8,987
Restricted for Purpose	<u>1,611,452</u>	<u>923,000</u>	<u>(1,427,860)</u>	<u>1,106,592</u>
Restricted for Time:				
Pledges for Operations: Restricted for Time	25,000	10,000	(25,000)	10,000
Total	<u>\$ 1,636,452</u>	<u>\$ 933,000</u>	<u>\$ (1,452,860)</u>	<u>\$ 1,116,592</u>

**FOREIGN POLICY RESEARCH INSTITUTE
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NOTE 7 EMPLOYEE RETIREMENT PLAN

The Institute has a contributory retirement plan in accordance with Section 403(b) of the IRC. Employees may contribute up to the limits allowable by the IRC. The Institute will match employee contributions up to 5% of their eligible salary.

For the years ended December 31, 2019 and 2018, pension expense was \$30,428 and \$32,548, respectively.

NOTE 8 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, 2019 and 2018 was \$117,647 and \$120,953, respectively, which includes common building expenses.

The Institute also leases office equipment under long-term, noncancellable lease arrangements with minimum monthly payments of \$1,597, expiring from March 2020 through December 2023.

Office equipment lease expense for the years ended December 31, 2019 and 2018 was \$15,509 and \$26,693, respectively.

Future minimum annual lease payments are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2020	\$ 123,691
2021	13,464
2022	13,464
2023	13,464
Total	<u>\$ 164,083</u>

NOTE 9 LIQUIDITY

As part of the Institute's liquidity management, cash in excess of daily requirements is invested in short-term investments, preserving at least 60 days of normal operating expenses in liquid financial assets. The Institute does not have a board-designated reserve fund or a working capital line of credit.

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NOTE 9 LIQUIDITY (CONTINUED)

The Institute includes both restricted and operational assets being available for general expenditure within one year of December 31, they are as follows:

	<u>2019</u>	<u>2018</u>
Cash and Cash Equivalents	\$ 902,099	\$ 863,725
Investments	28,939	6,462
Grants Receivable	332,935	350,000
Pledges Receivable	75,000	60,000
Royalties and Other Receivables	58,507	64,724
Total	<u>\$ 1,397,480</u>	<u>\$ 1,344,911</u>

