Financial Statements and Supplementary
Information Together with
Report of Independent Certified Public Accountants

COUNCIL ON FOREIGN RELATIONS, INC.

June 30, 2018 and 2017

COUNCIL ON FOREIGN RELATIONS, INC.

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Directors
Council on Foreign Relations, Inc.

We have audited the accompanying financial statements of the Council on Foreign Relations, Inc. ("CFR"), which comprise the statements of financial position as of June 30, 2018 and 2017, 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 the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to CFR'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 CFR'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 the Council on Foreign Relations, Inc. as of June 30, 2018 and 2017, 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.

Supplementary Information

Our audits were conducted for the purposes of forming an opinion on the basic financial statements of CFR as of and for the years ended June 30, 2018 and 2017, taken as a whole. The supplementary information included on pages 29 and 30 is presented for purposes of additional analysis and is not a required part of the financial statements. Such supplementary 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 2018 and 2017 financial statements and certain additional procedures. These additional procedures included comparing and reconciling the information directly to the underlying accounting and other records used to prepare the 2018 and 2017 financial statements or to the 2018 and 2017 financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairy stated, in all material respects, in relation to the 2018 and 2017 financial statements as a whole.

Grant Thornton LLP

New York, New York
October 11, 2018

COUNCIL ON FOREIGN RELATIONS, INC.
Statements of Financial Position
As of June 30, 2018 and 2017

Assets	**2018**	**2017**
Cash and cash equivalents *(Notes 2 and 13)*	$ 25,995,200	$ 36,662,700
Accounts receivable, net *(Note 2)*	2,107,500	2,499,400
Prepaid expenses	1,001,900	917,200
Grants and contributions receivable, net *(Notes 2 and 4)*	26,363,900	22,325,500
Contributions receivable for endowment, net *(Notes 2 and 4)*	22,495,500	22,702,200
Inventory *(Note 2)*	65,500	86,900
Investments *(Notes 2, 3, and 11)*	448,130,400	404,968,400
Land, buildings and building improvements, and equipment, net *(Notes 2 and 5)*	71,086,300	72,628,300
Total assets	$597,246,200	$ 562,790,600
Liabilities		
Accounts payable and accrued expenses *(Notes 2, 5, and 6)*	$ 7,983,400	$ 7,396,900
Deferred revenue *(Note 2)*	6,078,300	6,629,200
Accrued postretirement benefits *(Note 7)*	5,248,000	5,844,000
Interest-rate swap agreement *(Notes 2, 8, and 11)*	3,858,900	6,117,500
Bonds payable *(Note 8)*	54,520,000	56,285,000
Total liabilities	77,688,600	82,272,600
Commitments *(Note 12)*		
Net assets *(Note 2)*		
Unrestricted	101,475,600	71,984,500
Temporarily restricted *(Note 9)*	182,432,100	185,169,000
Permanently restricted *(Notes 9 and 10)*	235,649,900	223,364,500
Total net assets	519,557,600	480,518,000
Total liabilities and net assets	$597,246,200	$ 562,790,600

The accompanying notes are an integral part of these financial statements.

COUNCIL ON FOREIGN RELATIONS, INC.
Statement of Activities
For the year ended June 30, 2018

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Operating revenue and support				
Membership dues	$ 6,960,000	$ -	$ -	$ 6,960,000
Annual giving	10,600,500	-	-	10,600,500
Corporate memberships and related income	5,194,500	197,000	-	5,391,500
Grants and contributions	1,527,300	29,999,400	-	31,526,700
Foreign Affairs publications	9,489,800	-	-	9,489,800
Investment return used for current operations *(Note 3)*	5,336,900	14,078,200	-	19,415,100
Rental income	1,979,100	-	-	1,979,100
Miscellaneous	489,700	-	-	489,700
Net assets released from restrictions *(Note 9)*	31,469,600	(31,469,600)	-	-
Total operating revenue and support	73,047,400	12,805,000	-	85,852,400
Operating expenses				
Program expenses:				
Studies Program	24,434,900	-	-	24,434,900
Task Force	425,900	-	-	425,900
NY meetings	1,557,400	-	-	1,557,400
DC Programs	1,728,400	-	-	1,728,400
Special events	1,154,300	-	-	1,154,300
Foreign Affairs	10,354,600	-	-	10,354,600
National Program	1,351,400	-	-	1,351,400
Outreach Program	1,974,400	-	-	1,974,400
Term member	366,500	-	-	366,500
Digital Program	5,389,900	-	-	5,389,900
Education Program	2,450,000	-	-	2,450,000
Global Board of Advisors	86,700	-	-	86,700
Total program expenses	51,274,400	-	-	51,274,400
Supporting services				
Fundraising:				
Development	2,542,000	-	-	2,542,000
Corporate Program	1,764,100	-	-	1,764,100
Total fundraising	4,306,100	-	-	4,306,100
Management and general	15,403,600	-	-	15,403,600
Membership	1,688,000	-	-	1,688,000
Total supporting services	21,397,700	-	-	21,397,700
Total operating expenses	72,672,100	-	-	72,672,100
Excess of operating revenue and support over operating expenses	375,300	12,805,000	-	13,180,300
Nonoperating activities *(Note 2)*				
Investment gain in excess of spending rate *(Notes 2 and 3)*	409,600	9,305,800	-	9,715,400
Endowment contributions *(Note 4)*	-	-	12,285,400	12,285,400
Change in value of interest-rate swap agreement *(Notes 2 and 8)*	2,258,500	-	-	2,258,500
Other	954,000	-	-	954,000
Reclassification of gift proceeds due to clarification of donor intent	24,847,700	(24,847,700)	-	-
Total nonoperating activities	28,469,800	(15,541,900)	12,285,400	25,213,300
Changes in net assets before postretirement changes other than net periodic costs *(Note 7)*	28,845,100	(2,736,900)	12,285,400	38,393,600
Postretirement changes other than net periodic costs	646,000	-	-	646,000
Changes in net assets	29,491,100	(2,736,900)	12,285,400	39,039,600
Net assets, beginning of year	71,984,500	185,169,000	223,364,500	480,518,000
Net assets, end of year	$ 101,475,600	$ 182,432,100	$ 235,649,900	$ 519,557,600

The accompanying notes are an integral part of this financial statement.

COUNCIL ON FOREIGN RELATIONS, INC.
Statement of Activities
For the year ended June 30, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Operating revenue and support				
Membership dues	$ 6,714,500	$ -	$ -	$ 6,714,500
Annual giving	10,285,800	-	-	10,285,800
Corporate memberships and related income	6,054,000	212,000	-	6,266,000
Grants and contributions	1,402,900	20,589,100	-	21,992,000
Foreign Affairs publications	9,342,500	-	-	9,342,500
Investment return used for current operations *(Note 3)*	4,281,200	13,532,000	-	17,813,200
Rental income	2,226,300	-	-	2,226,300
Miscellaneous	269,800	-	-	269,800
Net assets released from restrictions *(Note 9)*	28,346,100	(28,346,100)	-	-
Total operating revenue and support	68,923,100	5,987,000	-	74,910,100
Operating expenses				
Program expenses:				
Studies Program	25,030,500	-	-	25,030,500
Task Force	494,300	-	-	494,300
NY meetings	1,298,400	-	-	1,298,400
DC Programs	1,395,100	-	-	1,395,100
Special events	1,184,700	-	-	1,184,700
Foreign Affairs	10,123,500	-	-	10,123,500
National Program	1,302,500	-	-	1,302,500
Outreach Program	1,689,700	-	-	1,689,700
Term member	482,000	-	-	482,000
Digital Program	4,182,000	-	-	4,182,000
Education Program	2,458,400	-	-	2,458,400
Global Board of Advisors	85,700	-	-	85,700
Total program expenses	49,726,800	-	-	49,726,800
Supporting services				
Fundraising:				
Development	2,262,600	-	-	2,262,600
Corporate Program	1,753,100	-	-	1,753,100
Total fundraising	4,015,700	-	-	4,015,700
Management and general	12,056,800			12,056,800
Membership	1,859,100	-	-	1,859,100
Total supporting services	17,931,600	-	-	17,931,600
Total operating expenses	67,658,400	-	-	67,658,400
Excess of operating revenue and support over operating expenses	1,264,700	5,987,000	-	7,251,700
Nonoperating activities *(Note 2)*				
Investment gain in excess of spending rate *(Notes 2 and 3)*	5,519,500	24,028,100	-	29,547,600
Endowment contributions *(Note 4)*	-	-	18,682,900	18,682,900
Change in value of interest-rate swap agreement *(Notes 2 and 8)*	3,532,000	-	-	3,532,000
Reclassification of net assets due to clarification of donor intent	-	(6,500,000)	6,500,000	-
Total nonoperating activities	9,051,500	17,528,100	25,182,900	51,762,500
Changes in net assets before postretirement changes other than net periodic costs *(Note 7)*	10,316,200	23,515,100	25,182,900	59,014,200
Postretirement changes other than net periodic costs	452,000	-	-	452,000
Changes in net assets	10,768,200	23,515,100	25,182,900	59,466,200
Net assets, beginning of year	61,216,300	161,653,900	198,181,600	421,051,800
Net assets, end of year	$ 71,984,500	$ 185,169,000	$ 223,364,500	$ 480,518,000

The accompanying notes are an integral part of this financial statement.

COUNCIL ON FOREIGN RELATIONS, INC.
Statements of Cash Flows
For the years ended June 30, 2018 and 2017

	2018	2017
Cash flows from operating activities:		
Changes in net assets	$ 39,039,600	$ 59,466,200
Adjustments to reconcile changes in net assets to net cash used in operating activities:		
Depreciation	4,688,600	4,212,100
Change in discount on grants and contributions and contributions for endowment receivable	711,000	334,200
Change in fair value of interest-rate swap agreement	(2,258,600)	(3,532,000)
Net realized and unrealized (gain) on investments	(27,226,600)	(47,536,300)
Bad debt expense	317,100	191,300
Contributions restricted for investment in endowment	(12,285,400)	(18,682,900)
Changes in operating assets and liabilities:		
Accounts receivable	74,800	(826,300)
Prepaid expenses	(84,700)	(131,600)
Grants and contributions receivable	(4,749,400)	1,541,400
Inventory	21,400	103,400
Accounts payable and accrued expenses	586,500	(453,900)
Deferred revenue	(550,900)	1,801,000
Accrued postretirement benefits	(596,000)	(372,000)
Net cash used in operating activities	(2,312,600)	(3,885,400)
Cash flows from investing activities:		
Purchases of building improvements and equipment	(3,146,600)	(2,415,300)
Purchases of investments	(152,707,200)	(52,136,800)
Proceeds from sales of investments	136,771,800	48,737,700
Net cash used in investing activities	(19,082,000)	(5,814,400)
Cash flows from financing activities:		
Contributions restricted for investment in endowment	12,492,100	14,881,800
Principal payments on bonds payable	(1,765,000)	(1,690,000)
Net cash provided by financing activities	10,727,100	13,191,800
Net (decrease) increase in cash and cash equivalents	(10,667,500)	3,492,000
Cash and cash equivalents, beginning of year	36,662,700	33,170,700
Cash and cash equivalents, end of year	$ 25,995,200	$ 36,662,700
Supplemental disclosure of cash flow information:		
Interest paid on bonds	$ 2,547,200	$ 2,513,800

The accompanying notes are an integral part of these financial statements.

1. ORGANIZATION AND NATURE OF ACTIVITIES

Council on Foreign Relations, Inc. ("CFR") is an independent, nonpartisan membership organization, think tank, and publisher dedicated to being a resource for its members, government officials, business executives, journalists, educators and students, civic and religious leaders, and other interested citizens, in order to help them better understand the world and the foreign policy choices facing the United States and other countries. Founded in 1921, CFR takes no institutional positions on matters of policy. CFR carries out its mission by maintaining a diverse membership; convening meetings at its headquarters in New York, and in Washington, DC, and other cities where senior government officials, members of Congress, global leaders, and prominent thinkers come together with CFR members to discuss and debate major international issues; supporting a Studies Program that fosters independent research; publishing *Foreign Affairs*, the preeminent journal on international affairs and U.S. foreign policy; sponsoring Independent Task Forces; and, providing up-to-date information and analysis about world events and American foreign policy on its website, CFR.org.

CFR is a Section 501(c)(3) not-for-profit organization, incorporated in the State of New York, exempt from federal income taxes under Section 501(a) of the Internal Revenue Code (the "Code" or "IRC") and is a publicly supported organization, as described in Section 509(a)(1) of the Code. CFR is also exempt from state and local income taxes.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying financial statements have been prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

Cash and Cash Equivalents

CFR considers all highly liquid investments purchased with original maturities of three months or less, excluding cash and money market funds held in investments, to be cash equivalents.

Allowance for Doubtful Accounts

As of June 30, 2018 and 2017, CFR determined that an allowance for uncollectible accounts of $134,000 and $223,300, respectively, is necessary for certain uncollectible membership and *Foreign Affairs* receivables. In addition, CFR determined that no allowance is necessary for grants and contributions receivable, and contributions receivable for its endowment as of June 30, 2018 and 2017. This determination is based on a combination of factors, such as management's estimate of the creditworthiness of its members and contributors, a review of individual accounts outstanding, the aged basis of receivables, current economic conditions, and historical collection experience. Receivables are written-off in the net asset category in which they reside when determined to be uncollectible.

Investments

CFR's investments in marketable debt and equity securities are recorded at fair values based on quoted market prices as of the measurement date. Donated securities are recorded at fair value as determined on the date received. Interest income is recorded on an accrual basis and dividend income is recorded based on the ex-dividend date.

It is CFR's policy to make an annual investment allocation for the support of its operations up to 5 percent of the average fair value of its endowment investments for the three previous years.

CFR's investments in alternative investment companies are carried at the aggregate net asset value ("NAV") of the shares held by CFR. The NAV is based on the fair value of the respective alternative investment company's investment portfolio as determined by the management of the alternative investment company as of the measurement date. CFR's investments in alternative investment companies are primarily in limited partnerships.

In certain instances, CFR's ability to liquidate its investments in limited partnerships is restricted in accordance with the provisions of the respective partnership agreement.

The reported value of CFR's investments that do not have readily determinable fair values is determined on an estimated basis by the investment managers as of the measurement date. Because of the inherent uncertainty of valuation, the fair values determined by the investment managers may differ from values that would be used had a ready market for these investments existed, and such differences could be material. The financial statements of the investees are audited annually by independent auditors. Investment income and gains (losses) attributable to CFR pertaining to these funds are recorded on the accrual basis of accounting in the accompanying financial statements.

Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 820, *Fair Value Measurements*, permits a reporting entity, as a practical expedient, to measure the fair value of certain investments using a NAV per share of the investment, or its equivalent. In May 2015, the FASB issued Accounting Standards Update ("ASU") 2015-07 *Disclosures for Investments in Certain Entities that Calculate Net Asset Value per Share (or its Equivalent),* which removes the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the NAV per share practical expedient. The amendments in this update are effective for fiscal years beginning after December 15, 2016. The reporting entity is required upon adoption to apply the amendments retrospectively to all periods presented.

CFR early adopted ASU 2015-07 effective July 1, 2015. The adoption of this new guidance by CFR only amended certain disclosure requirements and did not have an impact on CFR's financial statements for the periods presented.

Land, Buildings and Building Improvements, and Equipment

Land, buildings and building improvements, and equipment are stated at cost if purchased or at fair value at the date of gift if donated, less accumulated depreciation. These amounts do not purport to represent replacement or realizable values. CFR capitalizes expenditures for land, buildings and building improvements, and equipment having a cost of $1,500 or more and which have useful lives of greater than three years. Depreciation is provided on the straight-line basis over the estimated useful lives of these assets (see Note 5).

Costs incurred for repairs, maintenance, and minor improvements that do not substantially extend an asset's useful life are charged to expense as incurred. Major improvements, which substantially extend the useful lives of assets, are capitalized.

Inventory

Inventory consists primarily of paper that is stored offsite and used in the printing of the bimonthly publication *Foreign Affairs*. Inventory is stated at the lower of cost (first-in, first-out method) or market.

Deferred Subscription Revenue

CFR's subscriptions are recognized as revenue ratably over the applicable period. Deferred revenue represents subscription payments received in advance.

Net Asset Classifications

Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. CFR considers all contributions and grants to be available for unrestricted use unless specifically restricted by the respective donor or grantor. Endowment contributions are invested and, pursuant to CFR's 5 percent spending policy, an investment allocation is made in accordance with donor stipulations for either general purposes (unrestricted) or specific program activities (temporarily restricted) (see Note 10 for further information).

Accordingly, the net assets of CFR and changes therein are classified and reported in three net asset classes: unrestricted, temporarily restricted, and permanently restricted.

Unrestricted net assets represent resources received that have not been restricted by a donor and have no time restrictions. Such resources are available in support of CFR's operations over which the Board has discretionary control.

Temporarily restricted net assets represent contributions and other inflows of assets whose use by CFR is limited by express donor-imposed stipulations that either expire by the passage of time or can be fulfilled and removed by actions of CFR pursuant to those stipulations. When a donor restriction expires, that is, when a time restriction ends or a purpose restriction is fulfilled, temporarily restricted net assets are reclassified to unrestricted net assets and reported on the statement of activities as net assets released from restrictions.

Permanently restricted net assets represent contributions and other inflows of assets whose use by CFR is limited by express donor-imposed stipulations that neither expire with the passage of time nor can be fulfilled or otherwise removed by actions of CFR, but permit CFR to expend part or all of the income derived from the investment of the donated assets for either specified or unspecified purposes.

Accounting for Uncertainty in Income Taxes

CFR has adopted the provisions of the Accounting Standard Codification ("ASC") 740, *Accounting for Uncertainties in Income Taxes*. ASC 740-10 clarifies the accounting for uncertainty in tax positions taken or expected to be taken in a tax return, including issues relating to financial statement recognition and measurement. This section provides that the tax effects from an uncertain tax position can be recognized in the financial statements only if the position is "more-likely-than-not" to be sustained if the position were to be challenged by a taxing authority. The assessment of the tax position is based solely on the technical merits of the position, without regard to the likelihood that the tax position may be challenged.

CFR is exempt from federal and New York State income taxation by virtue of being an organization described in Section 501(c)(3) of the IRC and similar provisions of the New York State tax code.

Nevertheless, CFR may be subject to tax on income unrelated to its exempt purpose, unless that income is otherwise excluded by the Code. CFR believes that there are no material uncertain tax positions within its financial statements.

Support and Revenue

Contributions (including unconditional promises to give) are recorded when received, at their fair value. Contributions received with donor stipulations that limit the use of the donated assets are reported as either temporarily restricted or permanently restricted support. Unconditional promises to give, with payments due in future years, are reported as either temporarily restricted or permanently restricted support, discounted to present value using credit adjusted discount rates which articulate with the collection period of the respective pledge. Such discounts are not subsequently revised and are amortized over the collection period of the respective pledge as additional contribution revenue in accord with donor stipulated restrictions, if any.

Conditional contributions, such as grants with matching requirements, are recognized in the appropriate net asset class when the conditions on which they depend have been satisfied. Bequests are recognized as receivables at the time unassailable rights to the gifts have been established and the proceeds are measurable.

Membership dues are recorded as revenue over the period to which the dues relate.

Rental Income

Rental income includes income derived from renting space at CFR’s New York office location for various events as well as sublease rental income, for CFR’s DC office, which is recorded over the term of the lease based on fixed monthly payments. No deferred rent liability or asset is required to be recorded as of June 30, 2018 and 2017, in accordance with U.S. GAAP.

***Foreign Affairs* Publication**

Foreign Affairs is a bimonthly magazine published by CFR dedicated to improving the understanding of U.S. foreign policy and international affairs through the free exchange of ideas. Subscription, advertising, and other publishing income pertaining to *Foreign Affairs* are recorded as revenue in the relevant period in accordance with U.S. GAAP.

Postretirement Benefits

U.S. GAAP requires an employer to: (a) recognize on its statement of financial position an asset for a plan’s overfunded status or a liability for a plan’s underfunded status; (b) measure a plan’s assets and its obligations that determine its funded status as of the end of the employer’s fiscal year; and, (c) recognize changes in the funded status of a defined benefit postretirement plan in the year in which the changes occur.

Interest-Rate Swap Agreement

CFR uses an interest-rate swap agreement as part of its risk management strategy to manage exposure to fluctuations in interest rates and to manage the overall cost of its variable rate debt. The interest-rate swap agreement was not entered into for trading or speculative purposes and does not qualify as a hedge for financial reporting purposes. In accordance with U.S. GAAP, the interest-rate swap agreement is measured at fair value and recognized as either an asset or a liability as of the measurement date. Changes in fair value are recorded as part of nonoperating activities in net assets on the statement of activities.

Measure of Operations

CFR includes in its definition of operations all revenues and expenses that are an integral part of its programs and supporting activities, including a Board authorized investment income allocation and all contributions, except for those that have been permanently restricted by donors. Investment income, including net realized and unrealized gains and losses, earned in excess of (or less than) CFR's aggregate authorized spending amount for operations, the change in value of the interest-rate swap agreement, contributions to permanently restricted net assets, and other items that are considered to be unusual or non-recurring in nature are recognized as part of nonoperating activities.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Allocation of Expenses

The costs of operating the various programs and providing the supporting services have been summarized on a functional basis on the accompanying statements of activities. Accordingly, certain costs have been allocated amongst the programs and supporting services benefited, principally based on square footage occupied by the respective functional areas.

Concentration

Cash and cash equivalents that potentially subject CFR to concentrations of credit risk include cash accounts with banks that exceed the Federal Deposit Insurance Corporation ("FDIC") insurance limits. Interest-bearing accounts are insured up to $250,000 per depositor. Through December 31, 2012, noninterest-bearing accounts were fully insured. Beginning in 2013, noninterest-bearing accounts are insured similarly to interest-bearing accounts. As of June 30, 2018 and 2017, there is approximately $23,069,400 and $33,749,700, respectively, of cash and cash equivalents held in banks that exceed FDIC insurance limits. Such excess amounts include outstanding checks. CFR routinely monitors the financial institutions in which it transacts with and does not believe a significant risk of nonperformance presently exists.

Subsequent Events

CFR has evaluated, for potential recognition and disclosure, events subsequent to the date of its financial statements through October 11, 2018, the date the financial statements were available to be issued. No events have occurred subsequent to June 30, 2018, that would require adjustment to or disclosure in the accompanying financial statements other than what has been disclosed in Notes 3, 4, and 8.

3. INVESTMENTS

The components of CFR's investment portfolio as of June 30, 2018 and 2017, are as follows:

	2018	2017
Cash and cash equivalents	$ 82,682,900	$ 75,258,800
Long-only equities	134,319,300	108,512,900
Deflation hedges	7,395,300	7,304,600
Subtotal	224,397,500	191,076,300
Alternative investments:		
Growth-oriented hedge funds	58,947,700	68,616,000
Diversifiers	112,141,100	122,709,400
Private equity	17,539,500	16,122,700
Private hard assets	5,118,700	6,444,000
Subtotal	193,747,000	213,892,100
Pending investment purchases	6,985,900	-
Investment redemption receivables	23,000,000	-
Total	$ 448,130,400	$ 404,968,400

Amounts reflected as pending investment purchases in the table above reflect cash disbursed to investment funds that have not yet been credited to CFR's capital account as of June 30, 2018. Such purchases settled subsequent to year-end. Similarly, CFR submitted redemption requests relative to certain of its investment funds, which remained outstanding, as of June 30, 2018. Such amounts have been reflected as investment redemption receivables in the table above and were collected in full subsequent to year-end.

Growth-oriented assets are long-only equities and growth-oriented hedge funds include all equity and equity-like investments in the portfolio. This allocation will exhibit high correlation to the equity markets and generally have equity-like volatility. This allocation also includes private hard assets given their equity-like characteristics, although these investments may also help protect against unexpected inflation. The expected return from growth-oriented assets varies; global equities have returned roughly 7.6 percent in real terms based on historical assumptions.

Long-only equities include investments in public equities and, therefore, a high beta and correlation with equity markets. Diversification across market cap, geographic region, and sector are important for providing long-term growth to the portfolio. Return expectations track closely with global equities.

Deflation hedges include fixed income investments. This allocation will generally protect value during an economic contraction as investors flee to quality. Since cash and fixed income exhibit low volatility and are liquid in nature, these investments can provide a source of funding during times of market stress. The return expectation for this asset class is typically around 3 to 4 percent for U.S. and developed-market government bonds based on historical assumptions.

Alternative investments include the following as of June 30, 2018 and 2017:

A. Growth-oriented hedge funds include long-biased long/short equity and distressed credit managers, given their equity-like characteristics. Given the hedged exposure, return expectations are slightly lower than equities.

B. Diversifiers include investments that exhibit generally low correlation to equity markets and lower volatility than public equities. By providing differentiated sources of return and strong downside protection, the diversifiers improve the overall portfolio's risk/return characteristics. The return expectation from this asset class is typically between equities and bonds and varies based on the respective strategy employed.

C. Private equity funds include investments in private companies using a long investment time horizon of seven-plus years. Private equity funds exhibit equity-like characteristics given their reliance on debt financing, mergers and acquisitions, and equity markets for exits. Return expectations are slightly higher than global equities to compensate for the longer lock-up periods.

D. Private hard assets are nonpublic investments in oil and gas, timber, and other natural resources that exhibit equity-like characteristics and may also help protect against unexpected inflation. Private hard assets tend to be sensitive to commodity prices as well as mergers and acquisitions and debt and equity markets. Return expectations are typically slightly higher than global equities to compensate for the longer lock-up periods.

As of June 30, 2018 and 2017, CFR has unfunded commitments to limited partnerships totaling approximately $5.6 million and $9.9 million, respectively, and intends to sell a portion of its other investments to fund these commitments. Such purchase commitments as of June 30, 2018 are expected to be satisfied by fiscal year 2025.

Investments, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. As such, it is reasonably possible that changes in the fair values of investments will occur in the near-term and that such changes could materially affect the amounts reported on the accompanying financial statements.

Investment return consists of the following for the years ended June 30, 2018 and 2017:

	2018		
	Unrestricted	Temporarily Restricted	Total
Interest and dividends	$ 781,600	$ 3,298,000	$ 4,079,600
Realized gains	2,220,700	9,369,200	11,589,900
Unrealized gains	2,995,900	12,640,800	15,636,700
Net realized and unrealized gains	5,216,600	22,010,000	27,226,600
Total gain on investments	5,998,200	25,308,000	31,306,200
Investment return used for current operations	(5,336,900)	(14,078,200)	(19,415,100)
Investment expenses	(417,000)	(1,759,300)	(2,176,300)
Investment gain in excess of spending rate	$ 244,300	$ 9,470,500	$ 9,714,800

	2017		
	Unrestricted	Temporarily Restricted	Total
Dividends and interest	$ 541,900	$ 2,072,200	$ 2,614,100
Realized gains	1,364,500	5,221,600	6,586,100
Unrealized gains	8,486,000	32,463,700	40,949,700
Net realized and unrealized gains	9,850,500	37,685,300	47,535,800
Total gain on investments	10,392,400	39,757,500	50,149,900
Investment return used for current operations	(4,281,200)	(13,532,000)	(17,813,200)
Investment expenses	(591,700)	(2,197,400)	(2,789,100)
Investment gain in excess of spending rate	$ 5,519,500	$ 24,028,100	$ 29,547,600

4. GRANTS AND CONTRIBUTIONS RECEIVABLE AND CONTRIBUTIONS RECEIVABLE FOR ENDOWMENT, NET

Receivables consist primarily of promises to give and are due from individuals, corporations, and foundations. Grants and contributions receivable and contributions receivable for endowment as of June 30, 2018 and 2017, are due to be collected as follows:

	2018	2017
Amounts due in less than one year:		
Grants and contributions receivable	$ 15,688,900	$ 9,411,500
Contributions receivable for endowment	9,707,800	7,129,500
Total	25,396,700	16,541,000
Amounts due in one to five years:		
Grants and contributions receivable	11,448,300	13,387,700
Contributions receivable for endowment	13,728,000	16,101,600
Total	25,176,300	29,489,300
Gross receivables	50,573,000	46,030,300
Less: discount (at rates varying from 0.71 percent to 2.77 percent)	(1,713,600)	(1,002,600)
Total receivables, net	$ 48,859,400	$ 45,027,700

Endowment contributions, net of discount, totaled $22,495,500 and $18,682,900 for the years ended June 30, 2018 and 2017, respectively. CFR also has been named as a beneficiary of various wills and trusts as of June 30, 2018 and 2017. As described in Note 2, CFR does not recognize such intentions as contribution revenue until they become unconditional promises to give.

During fiscal 2018, in addition to certain significant contributions received and forthcoming, recognized as receivables, the trustees of the estate of a deceased donor informed CFR that it might benefit from a residual percentage interest in the donor's estate. While no amounts were accrued relative to this potential distribution as of June 30, 2018, subsequent to year-end, CFR received approximately $10 million from the estate of this donor which together with any additional similar distributions from this estate will be recognized as part of 2019 contribution revenues.

5. LAND, BUILDINGS AND BUILDING IMPROVEMENTS, AND EQUIPMENT, NET

Land, buildings and building improvements, and equipment, at cost, net of accumulated depreciation, as of June 30, 2018 and 2017, are summarized as follows:

	2018	2017	Estimated Useful Lives
Land (New York)	$ 1,854,300	$ 1,854,300	
Land (Washington, DC)	5,397,700	5,397,700	
Buildings and building improvements (New York)	35,511,500	34,784,700	3-55 years
Building and building improvements (Washington, DC)	53,476,800	53,448,300	3-55 years
Equipment (New York)	19,384,700	18,445,300	3-15 years
Equipment (Washington, DC)	5,314,000	5,041,200	3-15 years
Construction in progress	1,346,300	171,400	
Total	122,285,300	119,142,900	
Less: accumulated depreciation	(51,199,000)	(46,514,600)	
Total net	$ 71,086,300	$ 72,628,300	

Construction in progress predominately consists of project costs related to the Façade project, Video wall project, Education office expansion, and Member service portal. Most projects are expected to be completed by January 2019, and the estimated costs remaining to complete these projects is approximately $1,867,300.

Depreciation expense amounted to $4,688,600 and $4,212,100 for the years ended June 30, 2018 and 2017, respectively. During fiscal 2018, certain assets totaling $4,000 became fully depreciated and were written-off.

6. RETIREMENT PLAN

CFR has a defined contribution retirement plan under Section 403(b) of the IRC (the “403(b) Plan”) covering all employees who meet the minimum service requirements. Payments to the 403(b) Plan, which are calculated at 8 percent of each participant’s salary for all employees, are made to the Teachers Insurance and Annuity Association and College Retirement Equities Fund (“TIAA-CREF”) to purchase individual annuities for plan participants. CFR’s 403(b) Plan expense amounted to approximately $2,050,000 and $1,915,800 for the fiscal years ended June 30, 2018 and 2017, respectively. Participants over the age of thirty must contribute 2.5 percent of their salaries and have the option to make additional contributions to the 403(b) Plan on their own behalf.

7. OTHER POSTRETIREMENT BENEFITS

CFR provides medical and dental benefits for its retired employees. Current employees receiving benefits will continue to be eligible to receive medical and dental benefits upon retirement under the Postretirement Plan (the “Plan”). Participation in the Plan requires that in order to be eligible to receive plan benefits an employee must attain the earlier of either age of 60 with 15 years of continuous service, or attain the age of 55 with 25 years of continuous service. Employees hired on or after January 1, 1987 are not eligible for postretirement benefits, with the exception of the current and future Presidents of CFR, Executive Vice President, Senior Vice Presidents, and Editor of *Foreign Affairs*, hired on or before July 1, 2002 (must have been in the position as of July 1, 2002), with a minimum of 10 years of service and a retirement date on or after July 1, 2003.

The benefit obligation, as determined as of the end of the year measurement date, is as follows:

	2018	2017
Change in benefit obligation		
Benefit obligation, beginning of year	$ 5,844,000	$ 6,216,000
Service cost	6,000	13,000
Interest cost	204,000	198,000
Actuarial net gain	(476,000)	(258,000)
Benefits paid	(330,000)	(325,000)
Benefit obligation, end of year	$ 5,248,000	$ 5,844,000

CFR accrues expenses and makes benefit payments as they are incurred annually and has not contributed funds to a separate trustee's account to fund the accumulated postretirement benefit obligation. The discount rate used to determine the end-of-year obligation was 3.98 percent and 3.60 percent as of June 30, 2018 and 2017, respectively.

During fiscal 2018, the mortality assumption was updated from the RPEC-2006 White Collar Mortality Table projected generationally with scale MP-2015 to the RPEC-2006 White Collar Mortality Table projected generationally with scale MP-2016. The update in the mortality table resulted in an actuarial loss of $476,000 for the year ended June 30, 2018.

The net periodic benefit obligations and the components of benefit cost for the years ended June 30, 2018 and 2017, are as follows:

	2018	2017
Service cost	$ 6,000	$ 13,000
Interest cost	204,000	198,000
Amortization of net loss	180,000	204,000
Amortization of prior service credit	(10,000)	(10,000)
Net periodic cost included in operating expenses	$ 380,000	$ 405,000

The postretirement benefit cost, net of retiree benefit payments for the years ended June 30, 2018 and 2017, amounted to $50,000 and $80,000, respectively, and was based on actuarial assumptions and a discount rate set as of the beginning of the year. The discount rate was 3.98 percent and 3.60 percent for fiscal years 2018 and 2017, respectively, and the projected unit credit method was used for determining benefits earned during the year.

The net periodic pension cost for the years ended 2018 and 2017, includes reclassifications of amounts previously recognized as changes in unrestricted net assets as follows:

	2018	2017
Amortization of net loss	$ 180,000	$ 204,000
Amortization of prior service credit	(10,000)	(10,000)

Amounts that have not yet been recognized as components of net periodic benefit cost but are included in unrestricted net assets are as follows:

	2018	2017
Net actuarial loss	$ 2,114,000	$ 2,770,000
Prior service credit	(31,000)	(41,000)
	$ 2,083,000	$ 2,729,000

Assumed health-care cost trend rates at June 30th are as follows:

	2018	2017
Health care-cost trend rate assumed for next year	5.67 percent	6 percent
Rate to which the cost trend rate is assumed to decline	5 percent	5 percent
Year that the rate reaches the ultimate trend rate	2020	2020

Increasing the assumed medical care cost trend rate by 1 percent in each year would increase the accumulated postretirement benefit obligation by $613,000 and $728,000 as of June 30, 2018 and 2017, respectively, and the aggregate of the service and interest cost components of net periodic postretirement benefit cost for the years then ended by $28,000 and $30,000, respectively. Decreasing the assumed health-care cost trend rate by 1 percent would decrease the accumulated postretirement benefit obligation by $517,000 and $609,000 as of June 30, 2018 and 2017, respectively, and the aggregate of the service and interest cost components of net periodic postretirement benefit cost for the years then ended by $23,000 and $26,000, respectively.

Amounts in unrestricted net assets expected to be recognized as components of net periodic benefit cost during fiscal year 2019 are as follows:

Net actuarial loss	$ 137,000
Prior service credit	(10,000)

The following postretirement benefit payments, which reflect expected future service, as appropriate, are expected to be paid as follows:

Year Ending June 30	
2019	$ 325,000
2020	329,000
2021	335,000
2022	340,000
2023	339,000
2024-2028	1,611,000

8. BONDS PAYABLE

Bonds payable amounted to $54,520,000 and $56,285,000 as of June 30, 2018 and 2017, respectively, (which approximates fair value) and consist of tax-exempt variable rate demand revenue bonds (the "Bonds"), which were originally issued by the District of Columbia on behalf of CFR in August 2007. On September 4, 2012, these bonds were purchased by Wells Fargo Municipal Capital Strategies, LLC ("Wells Fargo"). Proceeds of the Bonds were used for the acquisition, renovation, furnishing, and equipping of an office building, located at 1777 F Street, NW, Washington, DC, to be used by CFR for office and conference space.

In connection with the original issuance of the Bonds, CFR incurred $3,297,400 in financing costs, which were capitalized and were being amortized on a straight-line basis through the conversion date. The remaining unamortized balance of $2,796,400 was written-off as of June 30, 2013, in accordance with the amended and restated loan agreement dated September 4, 2012.

The Bonds have a stated maturity of August 1, 2042, but CFR can repay the obligation at any time and retire the bond issue. Repayment of principal on the Bonds commenced on August 1, 2013. The Bonds currently bear interest at 70 percent of 1 month LIBOR plus 1 percent, which is determined by the calculation agent and is payable monthly, in arrears, on the first day of each month ("index rate"). The index rate resets on the first business day of each month utilizing one month LIBOR from two London business days prior to the reset date (first business day of each month). In no event shall the interest rate exceed the lesser of the highest interest rate, which may be borne by the Bonds under the laws of the District of Columbia and 12 percent per annum.

As of June 30, 2018 and 2017, the index rate was 2.9 percent and 1.46 percent, respectively. The LIBOR index rate mode began September 4, 2012 (the "Conversion Date"), and ranged from .86 percent to 1.69 percent during fiscal years 2018 and 2017. Interest expense on the bonds was $1,187,300 and $860,500 for the years ended June 30, 2018 and 2017, respectively.

Pursuant to the Security and Intercreditor Agreement executed in connection with the reissuance of the bonds, CFR has pledged and granted to Wells Fargo a first priority, security interest in all of CFR's gross revenues as collateral.

With respect to the tax-exempt variable rate demand revenue bonds discussed above, subsequent to year-end, CFR and the issuing authority opted to further amend and restate the First Amended and restated Indenture and the First Amended Loan Agreement to extend the Put Date (i.e., the date CFR must repurchase the bonds from the holder) and to modify the rate at which the bonds bear interest. Such modification caused a reissuance of the Series 2012 Bonds for federal tax purposes. Substantially all of the other previous provisions and covenants remain in force as well as the interest rate swap agreement.

Principal payments are as follows for years subsequent to June 30, 2018:

	Principal
Year Ending June 30	
2019	$ 1,830,000
2020	1,905,000
2021	1,980,000
2022	2,060,000
2023	2,140,000
Thereafter	44,605,000
Total	$ 54,520,000

CFR entered into an interest-rate swap agreement, with an effective date of December 7, 2007, whereby CFR agreed to swap its variable rate of interest on the Bonds for a fixed rate equal to 3.719 percent. The interest-rate swap was novated on September 4, 2012, to Wells Fargo Bank, N.A., with an effective date of September 1, 2012, and a fixed rate equal to 3.37 percent. The notional amount, per the novated swap agreement, is $54,520,000 and $56,285,000 as of June 30, 2018 and 2017, respectively, and is amortized annually until the termination date on August 1, 2037. The fair value of the swap agreement as of June 30, 2018 and 2017, is a liability of $3,858,900 and $6,117,500, respectively. Net settlement transactions related to the swap agreement resulted in a net loss to CFR totaling $1,164,800 and $1,653,300 for the years ended June 30, 2018 and 2017, respectively.

As of and for the years ended June 30, 2018 and 2017, amounts included within the accompanying financial statements relating to the interest-rate swap agreement are as follows:

2018

Fair Value at June 30, 2018	Statement of Financial Position Location	Change in Value of Interest-Rate Swap Agreement for the Year Ended June 30, 2018	Statement of Activities Location	Level Within Fair Value Hierarchy
$ 3,858,900	Interest-rate swap agreement (liabilities)	$ 2,258,500	Change in value of interest-rate swap agreement	Level 2

2017

Fair Value at June 30, 2017	Statement of Financial Position Location	Change in Value of Interest-Rate Swap Agreement for the Year Ended June 30, 2017	Statement of Activities Location	Level Within Fair Value Hierarchy
$ 6,117,500	Interest-rate swap agreement (liabilities)	$ 3,532,000	Change in value of interest-rate swap agreement	Level 2

Effective February 1, 2014, CFR entered into a credit agreement with Wells Fargo Bank, N.A., to provide a revolving line of credit note in the amount of $6 million. The line of credit was originally available between the date of the agreement and January 31, 2015. The maturity date of the line of credit was extended during fiscal years 2017 and 2018 and is now January 31, 2019. No amounts were outstanding under the line of credit as of June 30, 2018 and 2017.

9. TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS

Temporarily restricted net assets as of June 30, 2018 and 2017, are restricted for the following purposes:

	2018	2017
Studies Program	$ 49,878,100	$ 55,971,500
NY meetings	2,235,400	2,739,000
Term member	141,800	223,800
Foreign Affairs publications	1,069,200	1,264,400
National Program	224,300	344,400
Digital Program	1,084,900	2,099,200
Education Program	9,182,400	9,523,100
Capital	1,585,600	1,850,700
Various programs/operating purposes	117,030,400	111,152,900
Total	$ 182,432,100	$ 185,169,000

Temporarily restricted net assets were released from restrictions by incurring expenses satisfying the restricted purposes or by the occurrence of other events specified by the donors for the years ended June 30, 2018 and 2017, as follows:

	2018	2017
Studies Program	$ 13,799,600	$ 13,683,400
NY meetings	703,600	576,100
Term member	197,400	362,900
Foreign Affairs publications	195,200	336,000
National Program	245,200	245,300
Outreach Program	90,000	90,000
Digital Program	1,036,200	510,900
Education Program	3,210,000	2,372,700
Capital	265,000	266,600
Various programs/operating programs/reclassifications	36,575,100	16,402,200
Total	$ 56,317,300	$ 34,846,100

Permanently restricted net assets as of June 30, 2018 and 2017, consist of the following. The income earned on the related investments is available for the following purposes:

	2018	2017
Studies Program	$ 92,379,300	$ 92,379,300
NY meetings	7,425,700	7,425,500
National Program	2,000,000	2,000,000
Library	156,700	156,700
Foreign Affairs publications	2,620,200	2,620,200
Term member	2,500,000	2,500,000
Other	2,082,600	2,082,600
Various programs/operating purposes	126,485,400	114,200,200
Total	$ 235,649,900	$ 223,364,500

10. ENDOWMENT NET ASSETS

The State of New York passed the New York Prudent Management of Institutional Funds Act ("NYPMIFA"), its version of the Uniform Prudent Management of Institutional Funds Act ("UPMIFA"). All not-for-profit organizations formed in New York must apply this law. It was effective for CFR's 2011 fiscal year. In addition, NYPMIFA created a rebuttable presumption of imprudence if an organization appropriates more than 7 percent of a donor-restricted permanent endowment fund's fair value (averaged over a period of not less than the preceding five years) in any year. Any unappropriated earnings that would otherwise be considered unrestricted by the donor will be reflected as temporarily restricted until appropriated for expenditure.

CFR classifies as permanently restricted net assets: (a) the original value of gifts donated to its permanent endowment, (b) the original value of subsequent gifts to its permanent endowment, and (c) accumulations to its permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until such amounts are appropriated for expenditure by the Board of Directors of CFR in a manner consistent with the standard of prudence prescribed by NYPMIFA. In accordance with NYPMIFA, CFR considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- the duration and preservation of the endowment fund;
- the purposes of CFR and its donor-restricted endowment fund;
- general economic conditions;
- the possible effect of inflation or deflation;
- the expected total return from income and appreciation of endowment investments;
- other resources of CFR;
- the investment policies of CFR; and,
- where appropriate, alternatives to spending from the donor-restricted endowment fund and the possible effects on CFR.

CFR's endowment investment policy is to invest primarily in a mix of equities, fixed income securities, and alternative investments based on an asset allocation to satisfy its overall endowment financial and investment objectives, such as to preserve principal, protect against inflation, receive stable returns, and achieve long-term growth. CFR relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). Annual spending from the endowment funds is described further in Note 2.

The asset allocation plan provides for diversification of assets in an effort to maximize investment returns and manage risk of CFR consistent with market conditions.

Changes in endowment net assets for the years ended June 30, 2018 and 2017, follow:

	2018			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total Endowment Investments
Investment activity				
Interest and dividends	$ 781,600	$ 3,298,100	$ -	$ 4,079,700
Unrealized gains	2,995,900	12,640,800	-	15,636,700
Realized gains	2,220,600	9,369,200	-	11,589,800
Investment expenses	(417,000)	(1,759,300)	-	(2,176,300)
Total investment activity	5,581,100	23,548,800	-	29,129,900
Contributions/cash collected on endowment multi-year pledges	-	-	12,492,100	12,492,100
Proceeds from sale of investments/purchases, net	2,094,851	-	-	2,094,851
Amounts appropriated for expenditure	(5,336,900)	(14,078,200)	-	(19,415,100)
Total endowment activity	2,339,051	9,470,600	12,492,100	24,301,751
Endowment net assets, beginning of year	81,133,100	123,173,100	200,662,200	404,968,400
Endowment net assets, end of year	$ 83,472,151	$ 132,643,700	$ 213,154,300	$ 429,270,151

As of June 30, 2018 substantially all of CFR's investments correspond with the endowment balance presented above. Certain other investments of CFR, which have not been donor-restricted or board-designated for the endowment, are held separately. Such amounts are, at present, available for the general operating purposes of CFR, however, may be board-designated for specific purposes or to be added to the endowment in a future period.

	2017			
	Unrestricted	**Temporarily Restricted**	**Permanently Restricted**	**Total Endowment Investments**
Investment activity				
Interest and dividends	$ 541,900	$ 2,072,200	$ -	$ 2,614,100
Unrealized gains	8,486,000	32,463,700	-	40,949,700
Realized gains	1,364,500	5,221,600	-	6,586,100
Investment expenses	(591,700)	(2,197,400)	-	(2,789,100)
Total investment activity	9,800,700	37,560,100	-	47,360,800
Contributions/cash collected on endowment multi-year pledges	-	-	14,881,800	14,881,800
Proceeds from sale of investments/purchases, net	6,000	-	-	6,000
Reclassification of net assets due to clarification of donor intent	-	-	6,500,000	6,500,000
Amounts appropriated for expenditure	(4,281,200)	(13,532,000)	-	(17,813,200)
Total endowment activity	5,525,500	24,028,100	21,381,800	50,935,400
Endowment net assets, beginning of year	75,607,600	99,145,000	179,280,400	354,033,000
Endowment net assets, end of year	$ 81,133,100	$ 123,173,100	$ 200,662,200	$ 404,968,400

Endowment net asset amounts are net of contributions receivable for endowment and the associated discount on these receivables. Temporarily restricted net asset amounts represent endowment resources whose use is limited by donor-imposed stipulations and amounts awaiting board approval for appropriation for expenditure.

Endowment net assets of $429,270,151 and $404,968,400 are included within investments on the accompanying statements of financial position as of June 30, 2018 and 2017, respectively. In addition, CFR recorded endowment receivables of $22,495,500 and $22,702,200 as of June 30, 2018 and 2017, respectively, which are recorded as part of permanently restricted net assets on the accompanying statements of financial position. Such endowment receivables are excluded from the endowment schedules until such time payment is received and are then included as part of contributions/cash collected on endowment multi-year pledges.

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires CFR to retain as a fund of perpetual duration. In accordance with CFR's policy, see Note 2, deficiencies of this nature are reported in either temporarily restricted or unrestricted net assets. These deficiencies result from unfavorable market fluctuations whereby the respective fair value of a donor-restricted endowment fund falls below the amount that is required to be maintained by law or donor restriction. As of June 30, 2018 and 2017, there were no such deficiencies.

11. FAIR VALUE MEASUREMENTS

Fair value measurements are based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In order to increase consistency and comparability in fair value measurements, a fair value hierarchy was established by the FASB, which prioritizes observable and unobservable inputs used to measure fair value into three levels, as described below.

Level 1 - Valuations for assets and liabilities traded in active exchange markets, such as the New York Stock Exchange. Level 1 measurements also include U.S. Treasury and federal agency securities and federal agency mortgage-backed securities, which are traded by dealers or brokers in active markets. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

Level 2 - Valuations for assets and liabilities traded in less active dealer or broker markets. Valuations are obtained from third-party pricing services for identical or similar assets or liabilities.

Level 3 - Valuations for assets and liabilities that are derived using other valuation methodologies, including option pricing models, discounted cash flow models or similar techniques, and not based on market exchange, dealer, or broker-traded transactions. Level 3 valuations incorporate certain assumptions and projections in determining the fair value assigned to such assets or liabilities.

Observable inputs reflect assumptions market participants would use in pricing the asset or liabilities developed from sources independent of the reporting entity. Unobservable inputs reflect the reporting entity's own assumptions about what market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

Financial assets and liabilities reported at fair value on the accompanying financial statements, excluding pending purchases and redemptions as of June 30, 2018 and 2017, are classified in the leveling hierarchy described above as follows:

	2018			
	Level 1	**Level 2**	**Net Asset Value**	**Total**
Assets reported at fair value				
Investments:				
Cash and cash equivalents	$ 82,682,900	$ -	$ -	$ 82,682,900
Long-only equities	-	-	134,319,300	134,319,300
Deflation hedges	-	7,395,300	-	7,395,300
Growth-oriented hedge funds	-	-	58,947,700	58,947,700
Diversifiers	-	-	112,141,100	112,141,100
Private equity	-	-	17,539,500	17,539,500
Private hard assets	-	-	5,118,700	5,118,700
Total investments	82,682,900	7,395,300	328,066,300	418,144,500
Total assets reported at fair value	$ 82,682,900	$ 7,395,300	$ 328,066,300	$ 418,144,500
Liabilities reported at fair value				
Interest rate-swap agreement	$ -	$ (3,858,900)	$ -	$ (3,858,900)
Total liabilities reported at fair value	$ -	$ (3,858,900)	$ -	$ (3,858,900)

	2017			
	Level 1	**Level 2**	**Net Aset Value**	**Total**
Assets reported at fair value				
Investments:				
Cash and cash equivalents	$ 75,258,800	$ -	$ -	$ 75,258,800
Long-only equities	-	-	108,512,900	108,512,900
Deflation hedges	-	7,304,600	-	7,304,600
Growth-oriented hedge funds	-	-	68,616,000	68,616,000
Diversifiers	-	-	122,709,400	122,709,400
Private equity	-	-	16,122,700	16,122,700
Private hard assets	-	-	6,444,000	6,444,000
Total investments	75,258,800	7,304,600	322,405,000	404,968,400
Total assets reported at fair value	$ 75,258,800	$ 7,304,600	$ 322,405,000	$ 404,968,400
Liabilities reported at fair value				
Interest rate-swap agreement	$ -	$ (6,117,500)	$ -	$ (6,117,500)
Total liabilities reported at fair value	$ -	$ (6,117,500)	$ -	$ (6,117,500)

Investments in money market funds and corporate equities are valued using quoted market prices in active markets (Level 1). Level 1 instrument valuations are obtained from real-time quotes for transactions in active exchange markets involving identical assets as of the measurement date. Investments in corporate obligations and U.S. government bonds and notes are valued using quoted prices in inactive markets (Level 2). Level 2 valuations are obtained from similar assets or liabilities or model-derived valuations in which all significant inputs are observable or can be derived principally from or corroborated with observable market data.

The fair value of the interest-rate swap agreement is determined using observable market inputs such as current interest rates, credit risk of CFR, and that of its counterparty (Level 2).

Certain of CFR’s investments classified as alternative investments are recorded at fair value in an amount equal to the NAV, as reported by the investment managers, of shares of units held by CFR at year-end. Such investments have not been categorized within the fair value hierarchy in accordance with ASU 2015-07. The financial statements of these alternative investments are prepared in accordance with U.S. GAAP and are audited annually by independent auditors.

CFR’s alternative investment strategies include diversified portfolio allocations across a broad range of equity, debt, derivative, and commodity investments. Redemptions, at NAV, of shares in these investments range from quarterly to annually, generally with ten to ninety days’ notice, and typically after the expiration of any defined lock-up period(s).

The following tables summarize CFR's investments valued at NAV:

2018

Investment Objective	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Long-only equities	$ 134,319,300	$ -	Quarterly	10–90 days
Growth-oriented hedge funds	58,947,700	-	Quarterly–Triennially	60–90 days
Diversifiers	112,141,100	-	Monthly–Semi-Annually	60–90 days
Private equity	17,539,500	3,309,900	Illiquid	n/a
Private hard assets	5,118,700	2,285,600	Illiquid	n/a
	$ 328,066,300	$ 5,595,500		

2017

Investment Objective	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Long-only equities	$ 108,512,900	$ -	Quarterly	10–90 days
Growth-oriented hedge funds	68,616,000	-	Quarterly–Triennially	60–90 days
Diversifiers	122,709,400	-	Monthly–Semi-Annually	60–90 days
Private equity	16,122,700	6,985,400	Illiquid	n/a
Private hard assets	6,444,000	2,920,100	Illiquid	n/a
	$ 322,405,000	$ 9,905,500		

12. COMMITMENTS

Operating Leases

CFR leases certain equipment under operating lease arrangements.

Future minimum payments for noncancelable operating leases as of June 30, 2018, are as follows:

Year Ending June 30	
2019	$ 84,900
2020	54,700
2021	54,000
2022	20,200
Total	$ 213,800

Rent expense under the operating leases described above amounted to $87,100 and $96,900 for the years ended June 30, 2018 and 2017, respectively.

SUPPLEMENTARY INFORMATION

COUNCIL ON FOREIGN RELATIONS, INC.
Supplementary Schedule of Functional Expenses
For the year ended June 30, 2018, with comparative totals for 2017

	Program Services												
	Studies Program	Task Force	NY Meetings	DC Programs	Special Events	*Foreign Affairs*	National Program	Outreach	Term Member	Digital Program	Education Program	Global Board of Advisors	Total Programs
Salaries and wages	$ 10,921,900	$ 156,600	$ 571,400	$ 658,600	$ 523,100	$ 3,010,800	$ 408,800	$ 803,300	$ 81,600	$ 2,806,000	$ 874,000	$ 7,700	$ 20,823,800
Other compensation	1,043,300	17,800	63,100	95,900	185,800	422,900	60,200	110,200	20,400	265,000	110,700	500	2,395,800
Payroll taxes and employee benefits	3,284,200	48,400	177,600	198,900	158,400	928,800	120,700	232,300	21,600	859,400	265,900	2,500	6,298,700
Meeting expenses	551,500	18,600	490,200	374,700	200	35,900	499,900	200,100	136,300	7,300	4,600	32,600	2,351,900
Printing, publication, and promotion expenses	126,600	23,100	4,300	1,900	14,000	2,228,300	10,600	49,700	2,700	85,900	4,500	1,700	2,553,300
Research materials	266,400	200	10,400	24,400	300	60,500	9,000	18,300	100	18,000	15,700	-	423,300
Travel-related expenses	1,047,100	23,000	31,400	64,400	5,400	98,800	73,500	148,300	41,800	77,000	25,300	16,600	1,652,600
Administration and finance expenses	378,900	12,300	7,500	31,600	15,600	433,200	7,800	26,400	3,600	59,600	13,900	100	990,500
Interest expenses	1,050,700	46,400	-	90,200	28,500	-	-	46,600	-	83,200	-	-	1,345,600
Depreciation	1,426,300	24,000	59,100	46,700	72,100	637,000	42,200	66,300	9,400	163,600	72,300	14,100	2,633,100
Business expenses	108,000	9,700	14,500	7,700	6,500	537,900	9,100	30,700	4,900	30,400	6,900	100	766,400
Operations	629,500	10,300	27,700	20,100	32,400	127,000	18,800	29,200	4,200	72,300	32,300	6,300	1,010,100
Professional services	2,843,500	24,900	65,800	54,500	69,200	1,168,800	49,600	131,900	20,500	589,100	953,000	4,500	5,975,300
Information technology	757,000	10,600	34,400	58,800	42,800	664,700	41,200	81,100	19,400	273,100	70,900	-	2,054,000
Total expenses	$ 24,434,900	$ 425,900	$ 1,557,400	$ 1,728,400	$ 1,154,300	$ 10,354,600	$ 1,351,400	$ 1,974,400	$ 366,500	$ 5,389,900	$ 2,450,000	$ 86,700	$ 51,274,400

This schedule should be read in conjunction with the accompanying report of independent certified public accountants and the financial statements and notes thereto.

COUNCIL ON FOREIGN RELATIONS, INC.
Supplementary Schedule of Functional Expenses (con't)
For the year ended June 30, 2018, with comparative totals for 2017

		Supporting Services						
	Total Programs	Development	Corporate Program	Management and General	Membership	Total Supporting	2018 Total	2017
Salaries and wages	$ 20,823,800	$ 1,239,200	$ 786,300	$ 4,466,900	$ 659,200	$ 7,151,600	$ 27,975,400	$ 26,389,400
Other compensation	2,395,800	123,900	79,300	2,726,200	79,200	3,008,600	5,404,400	4,831,400
Payroll taxes and employee benefits	6,298,700	389,100	247,700	1,243,700	196,900	2,077,400	8,376,100	7,694,300
Meeting expenses	2,351,900	200,900	220,200	160,500	17,600	599,200	2,951,100	2,783,800
Printing, publication, and promotion expenses	2,553,300	18,800	21,800	49,000	241,300	330,900	2,884,200	2,770,200
Research materials	423,300	33,700	21,100	92,000	8,100	154,900	578,200	568,400
Travel-related expenses	1,652,600	59,400	84,600	161,800	18,800	324,600	1,977,200	1,805,900
Administration and finance expenses	990,500	133,000	42,600	439,900	248,100	863,600	1,854,100	1,823,600
Interest expenses	1,345,600	18,800	51,900	1,130,800	-	1,201,500	2,547,100	2,514,000
Depreciation	2,633,100	117,300	77,800	1,803,100	57,300	2,055,500	4,688,600	4,212,100
Business expenses	766,400	19,400	7,500	312,300	20,400	359,600	1,126,000	1,071,500
Operations	1,010,100	53,500	34,200	905,800	25,600	1,019,100	2,029,200	1,650,200
Professional services	5,975,300	71,500	49,600	1,005,300	51,600	1,178,000	7,153,300	6,816,500
Information technology	2,054,000	63,500	39,500	906,300	63,900	1,073,200	3,127,200	2,727,100
Total expenses	$ 51,274,400	$ 2,542,000	$ 1,764,100	$ 15,403,600	$ 1,688,000	$ 21,397,700	$ 72,672,100	$ 67,658,400