Carnegie Endowment for International Peace

Financial Report
June 30, 2017

Contents

RSM

Independent Auditor's Report

RSM US LLP

Board of Trustees
Carnegie Endowment for International Peace

Report on the Financial Statements

We have audited the accompanying financial statements of Carnegie Endowment for International Peace (the Endowment), which comprise the statements of financial position as of June 30, 2017 and 2016, 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.

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 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 Carnegie Endowment for International Peace as of June 30, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

RSM US LLP

Washington, D.C.
October 4, 2017

Carnegie Endowment for International Peace

Statements of Financial Position
June 30, 2017 and 2016

	2017	2016
Assets		
Current assets:		
Cash	**$ 7,439,016**	$ 3,664,387
Accounts receivable and prepaid expenses	**904,028**	1,611,276
Net contributions receivable, current portion, net	**9,825,209**	5,993,891
Total current assets	**18,168,253**	11,269,554
Long-term assets:		
Net contributions receivable, net of current portion	**5,377,908**	3,511,012
Investments	**305,966,932**	287,498,788
Property and equipment, net	**24,856,080**	24,965,634
Total long-term assets	**336,200,920**	315,975,434
Total assets	**$ 354,369,173**	$ 327,244,988
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued expenses	**$ 2,967,999**	$ 2,812,981
Bond interest payable	**150,873**	111,716
Note payable, current portion	**373,854**	353,010
Total current liabilities	**3,492,726**	3,277,707
Long-term liabilities:		
Note payable, net of current portion	**2,486,527**	2,860,381
Interest rate swap agreement	**10,269,407**	14,701,964
Bonds payable, net	**32,589,587**	32,566,301
Total long-term liabilities	**45,345,521**	50,128,646
Total liabilities	**48,838,247**	53,406,353
Commitments and contingencies (Notes 6, 7, 8, 9 and 11)		
Net assets:		
Unrestricted	**10,738,090**	4,221,317
Temporarily restricted	**275,150,461**	254,434,462
Permanently restricted	**19,642,375**	15,182,856
Total net assets	**305,530,926**	273,838,635
Total liabilities and net assets	**$ 354,369,173**	$ 327,244,988

See notes to financial statements.

Carnegie Endowment for International Peace

Statement of Activities
Year Ended June 30, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Operating revenue and other support:				
Investment income allocation	$ -	$ 15,613,813	$ -	$ 15,613,813
Contributions	3,778,713	15,163,272	4,459,519	23,401,504
Rental income	1,518,876	-	-	1,518,876
Earned revenue – projects	627,556	-	-	627,556
Other	159,916	-	-	159,916
Conference center rental income	187,190	-	-	187,190
Publications	21,283	-	-	21,283
	6,293,534	30,777,085	4,459,519	41,530,138
Net assets released from restrictions	30,266,941	(30,266,941)	-	-
Total operating revenue and other support	36,560,475	510,144	4,459,519	41,530,138
Operating expenses:				
Salaries	15,283,727	-	-	15,283,727
Payroll taxes and employee benefits	4,891,664	-	-	4,891,664
Consulting and professional fees	3,123,137	-	-	3,123,137
Travel	1,915,483	-	-	1,915,483
General and administrative	2,252,172	-	-	2,252,172
Interest expense	1,523,003	-	-	1,523,003
Property management	1,261,816	-	-	1,261,816
Depreciation and amortization	1,046,393	-	-	1,046,393
Publication expenses	827,582	-	-	827,582
Rent	641,700	-	-	641,700
Meetings and seminars	1,115,645	-	-	1,115,645
Real estate taxes	593,936	-	-	593,936
Total operating expenses	34,476,258	-	-	34,476,258
Change in net assets from operations	2,084,217	510,144	4,459,519	7,053,880
Non-operating revenues and expenses:				
Investment income in excess of spending rate	-	20,205,855	-	20,205,855
Fair value gain on interest rate swap	4,432,556	-	-	4,432,556
Change in net assets	6,516,773	20,715,999	4,459,519	31,692,291
Net assets, beginning of year	4,221,317	254,434,462	15,182,856	273,838,635
Net assets, end of year	$ 10,738,090	$ 275,150,461	$ 19,642,375	$ 305,530,926

See notes to financial statements.

Carnegie Endowment for International Peace

Statement of Activities
Year Ended June 30, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Operating revenue and other support:				
Investment income allocation	$ -	$ 15,133,141	$ -	$ 15,133,141
Contributions	2,540,227	20,385,663	2,014,558	24,940,448
Rental income	1,640,594	-	-	1,640,594
Earned revenue – projects	831,566	-	-	831,566
Other	5,011	-	-	5,011
Conference center rental income	180,448	-	-	180,448
Publications	38,698	-	-	38,698
	5,236,544	35,518,804	2,014,558	42,769,906
Net assets released from restrictions	29,181,443	(29,181,443)	-	-
Total operating revenue and other support	34,417,987	6,337,361	2,014,558	42,769,906
Operating expenses:				
Salaries	14,513,787	-	-	14,513,787
Payroll taxes and employee benefits	4,674,023	-	-	4,674,023
Consulting and professional fees	3,310,681	-	-	3,310,681
Travel	1,978,708	-	-	1,978,708
General and administrative	2,135,082	-	-	2,135,082
Interest expense	1,444,868	-	-	1,444,868
Property management	1,238,280	-	-	1,238,280
Depreciation and amortization	995,218	-	-	995,218
Publication expenses	714,554	-	-	714,554
Rent	504,752	-	-	504,752
Meetings and seminars	839,727	-	-	839,727
Grants	436,980	-	-	436,980
Real estate taxes	603,088	-	-	603,088
Total operating expenses	33,389,748	-	-	33,389,748
Change in net assets from operations	1,028,239	6,337,361	2,014,558	9,380,158
Non-operating revenues and expenses:				
Investment loss in excess of spending rate	(9,434)	(30,660,395)	-	(30,669,829)
Fair value loss on interest rate swap	(5,075,669)	-	-	(5,075,669)
Change in net assets	(4,056,864)	(24,323,034)	2,014,558	(26,365,340)
Net assets, beginning of year	8,278,181	278,757,496	13,168,298	300,203,975
Net assets, end of year	$ 4,221,317	$ 254,434,462	$ 15,182,856	$ 273,838,635

See notes to financial statements.

Carnegie Endowment for International Peace

Statements of Functional Expenses
Years Ended June 30, 2017 and 2016

	2017			
	Program	**Management and General**	**Fundraising**	**Total**
Salaries	**$ 11,661,225**	**$ 2,468,231**	**$ 1,154,271**	**$ 15,283,727**
Payroll taxes and employee benefits	**3,595,923**	**994,063**	**301,678**	**4,891,664**
Consulting and professional fees	**2,518,709**	**463,518**	**140,910**	**3,123,137**
Travel	**1,650,238**	**228,954**	**36,291**	**1,915,483**
General and administrative	**916,469**	**1,297,112**	**38,591**	**2,252,172**
Interest expense	**1,162,025**	**245,956**	**115,022**	**1,523,003**
Property management	**962,744**	**203,776**	**95,296**	**1,261,816**
Depreciation and amortization	**839,614**	**126,453**	**80,326**	**1,046,393**
Publication expenses	**824,972**	**967**	**1,643**	**827,582**
Rent	**641,700**	**-**	**-**	**641,700**
Meetings and seminars	**955,987**	**142,371**	**17,287**	**1,115,645**
Real estate taxes	**453,163**	**95,917**	**44,856**	**593,936**
	$ 26,182,769	**$ 6,267,318**	**$ 2,026,171**	**$ 34,476,258**

	2016			
	Program	Management and General	Fundraising	Total
Salaries	$ 11,045,506	$ 2,189,071	$ 1,279,210	$ 14,513,787
Payroll taxes and employee benefits	3,535,574	891,759	246,690	4,674,023
Consulting and professional fees	2,673,717	455,639	181,325	3,310,681
Travel	1,759,395	194,532	24,781	1,978,708
General and administrative	935,715	1,162,221	37,146	2,135,082
Interest expense	1,099,596	217,925	127,347	1,444,868
Property management	942,375	186,766	109,139	1,238,280
Depreciation and amortization	788,177	119,325	87,716	995,218
Publication expenses	709,596	269	4,689	714,554
Rent	504,752	-	-	504,752
Meetings and seminars	704,059	129,086	6,582	839,727
Grants	436,980	-	-	436,980
Real estate taxes	458,971	90,962	53,155	603,088
	$ 25,594,413	$ 5,637,555	$ 2,157,780	$ 33,389,748

See notes to financial statements.

Carnegie Endowment for International Peace

Statements of Cash Flows
Years Ended June 30, 2017 and 2016

	2017	2016
Cash flows from operating activities:		
Change in net assets	**$ 31,692,291**	$ (26,365,340)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Realized and unrealized (income) loss on investments	**(35,817,897)**	15,399,903
Change in discount applied to contributions receivable	**110,745**	185,177
Change in allowance applied to contributions receivable	**-**	250,000
Amortization of bond issuance costs	**23,285**	23,349
Fair value (gain) loss on interest rate swap	**(4,432,556)**	5,075,669
Loss on disposal of property and equipment	**27,302**	1,180
Contributions restricted for endowment	**(1,401,267)**	(2,014,558)
Depreciation	**1,023,108**	971,869
Changes in assets and liabilities:		
(Increase) decrease in:		
Accounts receivable and prepaid expenses	**707,251**	(529,718)
Contributions receivable	**(5,808,959)**	(2,385,124)
Increase in:		
Accounts payable and accrued expenses	**155,018**	212,164
Bond interest payable	**39,157**	9,188
Net cash used in operating activities	**(13,682,522)**	(9,166,241)
Cash flows from investing activities:		
Proceeds from sales of investments	**60,767,219**	46,238,548
Purchases of investments	**(43,417,469)**	(38,997,332)
Purchases of property and equipment	**(940,855)**	(315,209)
Net cash provided by investing activities	**16,408,895**	6,926,007
Cash flows from financing activities:		
Contributions restricted for endowment	**1,401,267**	2,014,558
Payments on note payable	**(353,011)**	(322,826)
Net cash provided by financing activities	**1,048,256**	1,691,732
Net increase (decrease) in cash	**3,774,629**	(548,502)
Cash, beginning of year	**3,664,387**	4,212,889
Cash, end of year	**$ 7,439,016**	$ 3,664,387
Supplemental cash flow data:		
Cash paid during the year for interest	**$ 1,511,080**	$ 1,437,196

See notes to financial statements.

Note 1. Nature of Activities and Significant Accounting Policies

Nature of activities: Carnegie Endowment for International Peace (the Endowment) is a nonprofit organization incorporated under the laws of the State of New York. The Endowment is a unique global network of policy research centers in Russia, China, Europe, the Middle East, India and the United States. Its mission, dating back more than a century, is to advance the cause of peace through analysis and development of fresh policy ideas and direct engagement and collaboration with decision-makers in government, business and civil society. Working together, our centers bring the inestimable benefit of multiple national viewpoints to bilateral, regional and global issues.

The following is a summary of the Endowment's significant accounting policies:

Basis of accounting: The accompanying financial statements of the Endowment are presented on the accrual basis of accounting, whereby unconditional support is recognized when received, revenue is recognized when earned and expenses are recognized when the obligations are incurred.

Basis of presentation: The financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (the Codification). As required by the Non-Profit Entities Topic of the Codification, the Endowment is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Financial and credit risk: The Endowment maintains its cash balances in bank deposit accounts, which, at times, may exceed federally insured limits. The Endowment has not experienced any losses in such accounts and believes it is not exposed to any significant financial risk on cash.

The Endowment's investment portfolio includes fixed income securities, exchange traded funds and funds of funds which invest in common shares of publicly-traded companies, investment funds, limited partnerships, limited liability companies (LLCs) and pooled interests, which invest in a variety of vehicles (limited partnerships, LLCs, investment funds and non-U.S. corporations). Such investments are exposed to various risks, such as market and credit. Due to the level of risk associated with such investments and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in risks in the near-term could materially affect investment balances and the amounts reported in the financial statements.

Credit risk from financial instruments relates to the possibility that invested assets within a particular industry segment may experience losses due to market conditions. The Endowment has diversified its financial instruments, such that no one industry segment represents a significant concentration of risk.

Contributions receivable: Contributions receivable represent unconditional promises to give and are stated at their net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of estimated future cash flows. The discounts on these contributions are computed using a discount rate commensurate with the risks involved, with the amortization of the discount included in contribution revenue. Contributions are individually analyzed for collectability. When all collection efforts have been exhausted, the contribution is written off. Management annually adjusts the allowance account based upon its estimate of those contributions believed to be uncollectible. There was no allowance for contribution receivables as of June 30, 2017 and 2016.

Accounts receivable: Receivables are recorded at original invoice amounts less an estimate made for doubtful receivables. Invoices are billed as services are rendered. Accounts past due are individually analyzed for collectability. When all collection efforts have been exhausted, the account is written off. There is no allowance for doubtful accounts for accounts receivables, based on management's estimate that all receivables are fully collectible.

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Investments: Investments are carried at fair value. To adjust the carrying value of the investments, unrealized gains and losses are reported in the statements of activities as either operating or non-operating revenues and expenses based upon the endowments spending rate/appropriation. Realized gains and losses from sales of investments are recognized on the trade date on a specific identification basis in the same manner as unrealized gains and losses. Dividend income is recognized on the ex-dividend date. Interest income is recognized when earned.The following methods and assumptions were used to estimate the fair value of each class of financial instruments:

Investments in exchange traded funds, fixed income securities and money market funds: Investments in exchange traded funds, fixed income securities and money market funds are stated at fair market value based on the last sale price. Securities transactions are recorded on a trade-date basis and are carried at fair value.

Investments in alternative funds: Investments in funds of funds, fixed income funds, and event driven funds are stated at fair value based on the applicable percentage ownership of the underlying partnerships' net assets as of the measurement date, as provided by the fund managers. The fair values of certain investments of the underlying limited partnerships and hedge funds that may include private placements and other securities, for which prices are not readily available, are determined by the general partner or sponsor of the respective other investment partnership and may not reflect amounts that could be realized upon immediate sale, nor amounts that may be ultimately realized. Because alternative investments are not readily marketable, the fair value represents the amount the Endowment would expect to receive if it were to liquidate its investment, excluding any redemption charges that may apply.

Investments in real estate funds: Investments in real estate funds are stated at fair value based on the applicable percentage of ownership of the underlying partnership's net assets as of the measurement date, as provided by the fund managers.

Investments in derivatives: Futures contracts are valued at fair value based on the most recent available closing quotations on an exchange.

Derivative financial instruments and hedging activities: The Endowment invests in limited partnerships, LLCs, alternative funds and pooled interests that invest in various derivative instruments (e.g., options, warrants, futures, swap contracts, etc.). Derivative instruments are typically held to advance fund investment strategies to hedge investment risk to economically meet the objectives of the fund. Derivatives are recorded at estimated fair value, and the resulting gains and losses are reflected as a component of investment income in the statements of activities.

The interest rate swap agreements (see Notes 6 and 8) are also considered derivative instruments and are to be measured at fair value and recognized in the statements of financial position as either an asset or liability, depending on the rights or obligations under the contracts. The fair value of the interest rate swap agreement is the estimated amount that the bank or financial institution would receive or pay to terminate the swap agreement at the reporting date, taking into account current interest rates and the current creditworthiness of the swap counter parties.

Changes in the fair value of the interest rate swap agreements are reported in non-operating revenues and expenses in the statements of activities.

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Financial instruments with off-balance sheet risk: In the course of the trading activities entered into by the Endowment's various investment fund managers, certain financial instruments with off-balance sheet risk were acquired, in order to structure portfolio transactions to economically match the investment objectives of the funds and to hedge market risk. The exposure to credit risk associated with non-performance of any of these types of financial instruments is typically limited to the value of such investments reported as assets in the statements of financial position.

Property and equipment: All acquisitions of property and equipment greater than $1,500 are capitalized at cost and are depreciated using the straight-line method over the estimated useful lives of the assets. The furniture and equipment is depreciated over lives that range from three to ten years. The building is depreciated over its estimated useful life of 60 years. Building improvements are capitalized and amortized using the straight-line method over the remaining estimated life of the building. Land is recorded at cost and is not depreciated.

Valuation of long-lived assets: The Endowment reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of long-lived assets is measured by a comparison of the carrying amount of the assets to future undiscounted net cash flows expected to be generated by the assets. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the estimated fair value of the assets. Assets to be disposed of are reportable at the lower of the carrying amount or fair value, less costs to sell.

Net assets: The Endowment's resources are classified for accounting and reporting purposes into net asset groups established according to their nature and purpose and based on the existence or absence of donor-imposed restrictions. Accordingly, the Endowment classifies net asset groups as follows:

Unrestricted: Represents resources available for support of the operations of the Endowment.

Temporarily restricted: Represents resources received by the Endowment, which are purpose or time restricted by donors.

Permanently restricted: Represents resources that are donor-restricted endowment funds to be held in perpetuity and valued at the historic dollar value.

Revenue recognition: The Endowment recognizes unconditional contributions received, including unconditional promises to give, as revenue in the period received. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted support. Temporarily restricted contributions that are used according to donor restrictions in the same period as the contributions are recognized as temporarily restricted support and reclassified to unrestricted net assets as net assets released from restrictions in the same period.

Rental income is recognized on the first day of the month for which rent is due.

Earned revenue from projects is recognized when the service to which it relates is performed.

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Functional allocation of expenses: The Endowment allocates its expenses as program, management and general, or fundraising related. Salaries and benefits, travel, consulting and professional services, and certain other costs are allocated based on actual resources used. Certain expenses, including interest, property management, depreciation and amortization, and real estate taxes have been allocated between program, management and general, and fundraising, based on the salaries directly attributable to those categories.

Income taxes: The Endowment is exempt from federal income taxes on its exempt activities under Section 501(c)(3) of the Internal Revenue Code (the Code) and has been designated by the Internal Revenue Service as a publicly supported organization under Section 509(a)(1) of the Code. The Endowment engages in certain activities that produce unrelated business income, as defined by federal income tax regulations.

The Endowment files income tax returns in the U.S. federal jurisdiction. As of June 30, 2017, and for the year then ended, there were no material unrecognized/derecognized tax benefits or tax penalties or interest. Generally, the Endowment is no longer subject to U.S. federal income tax examinations by tax authorities for years before 2014.

Use of estimates: The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates.

Recently adopted accounting pronouncements: In April 2015, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2015-03, *Interest—Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs*. This ASU requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. This ASU was applied on a retrospective basis and did not have a material effect on the financial statements.

Upcoming accounting pronouncements: In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, along with multiple updates in 2015 and 2016, requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in U.S. generally accepted accounting principles (GAAP) when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. Early adoption is not permitted. The updated standard will be effective for annual reporting periods beginning after December 15, 2017. Management has not yet selected a transition method and is currently evaluating the effect that the updated standard will have on the financial statements.

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

In February 2016, the FASB issued ASU No. 2016-02, *Leases*, which will update the existing guidance on accounting for leases and require new qualitative and quantitative disclosures about the Endowment's leasing activities. The new standard requires the Endowment to recognize lease assets and lease liabilities on the balance sheet for all leases under which the Endowment is the lessee, including those classified as operating leases under previous accounting guidance. The new standard allows the Endowment to make an accounting policy election not to recognize on the balance sheet lease assets and liabilities for leases with a term of 12 months or less. The accounting applied by a lessor is largely unchanged from that applied under previous guidance. The new standard, as amended, will be effective for the Endowment for interim and annual reporting periods beginning after December 15, 2019, with early adoption permitted. In transition, lessees and lessors are required to recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach. The modified retrospective approach includes a number of optional practical expedients that the Endowment may elect to apply. Management has not yet selected a transition method and is currently evaluating the effect that the updated standard will have on the financial statements.

In August, 2016, the FASB issued ASU No. 2016-14*, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The amendments in this ASU make improvements to the information provided in financial statements and accompanying notes of not-for-profit entities. The amendments set forth the FASB's improvements to net asset classification requirements and the information presented about a not-for-profit entity's liquidity, financial performance, and cash flows. The ASU will be effective for fiscal years beginning after December 15, 2017. Earlier applicable is permitted. The changes in this ASU should generally be applied on a retrospective basis in the year that the ASU is first applied. Management has not evaluated the impact of this ASU on the financial statements.

In August, 2016, the FASB has issued ASU No. 2016-15, *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments,* to address diversity in how certain cash receipts and cash payments are presented and classified in the statements of cash flows. The amendments are effective for the Endowment for fiscal years beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019. Early adoption is permitted, including adoption in an interim period. Management has not evaluated the impact of this ASU on the financial statements.

Subsequent events: The Endowment evaluated subsequent events through October 4, 2017, which is the date the financial statements were issued.

Note 2. Contributions Receivable

At June 30, 2017 and 2016, contributions receivable consist of the following:

	2017	2016
Contributions receivable	$ 15,679,924	$ 9,870,965
Less discounts	(476,807)	(366,062)
	$ 15,203,117	$ 9,504,903
Current portion	$ 9,825,209	$ 5,993,891
Long-term portion	5,377,908	3,511,012
	$ 15,203,117	$ 9,504,903

Note 3. Investments

Investments consist of the following at June 30, 2017 and 2016:

	2017		2016	
	Cost	Market Value	Cost	Market Value
Alternative investments	$ 180,461,408	$ 282,026,861	$ 177,700,132	$ 261,536,899
Exchange traded funds	1,441,939	1,587,729	1,535,718	1,567,775
Fixed income securities	9,858,198	9,651,354	8,069,401	8,375,715
Real estate funds	2,988,932	1,437,264	3,125,395	2,036,516
Money market funds	11,263,730	11,263,724	13,981,882	13,981,883
	$ 206,014,207	$ 305,966,932	$ 204,412,528	$ 287,498,788

Investment income (loss) for the years ended June 30, 2017 and 2016, consists of the following:

	2017	2016
Realized and unrealized gain (loss)	$ 35,817,897	$ (15,399,903)
Interest and dividends	2,105,866	1,623,335
	37,923,763	(13,776,568)
Investment income allocation (Note 14)	(15,613,813)	(15,133,141)
Investment fees	(2,068,381)	(1,320,806)
Foreign currency exchange loss	(35,714)	(439,314)
Investment income (loss) less investment income allocation and investment fees	$ 20,205,855	$ (30,669,829)

Note 4. Fair Value Measurements

Guidance provided by the FASB defines fair value as 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. The Endowment utilizes valuation techniques to maximize the use of observable inputs and minimize the use of unobservable inputs. Assets and liabilities recorded at fair value are categorized within the fair value hierarchy based upon the level of judgment associated with the inputs used to measure their value. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). Inputs are broadly defined as assumptions market participants would use in pricing an asset or liability. The three levels of the fair value hierarchy are described below:

Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. The types of investments included in Level 1 are listed equities and listed derivatives. As required by the guidance provided by the FASB, the Endowment does not adjust the quoted price for these investments, even in situations where the Endowment holds a large position and a sale could reasonably impact the quoted price.

Level 2: Inputs other than quoted prices within Level 1 that are observable for the asset or liability, either directly or indirectly; fair value is determined through the use of models or other valuation methodologies. Investments that are generally included in this category are corporate bonds and loans, less liquid and restricted equity securities and certain over-the-counter derivatives.

Note 4. Fair Value Measurements (Continued)

Level 3: Inputs are unobservable for the asset or liability and include situations where there is little, if any, market activity for the asset or liability. The inputs into the determination of fair value are based upon the best information in the circumstances and may require significant management judgment or estimation. Investments that are generally included in this category are equity and debt positions in private companies and general and limited partnership interests in corporate private equity, debt funds, certain funds of hedge funds and distressed debt.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, investment levels within the fair value hierarchy are based on the lowest level of input that is significant to the fair value measurement. The Endowment's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the investment. The inputs or methodology used for valuing financial instruments are not necessarily an indication of the risks associated with investing in these instruments.

The Endowment's futures variation margin and interest rate swap agreements are classified as Level 2 in the fair value hierarchy, as all significant inputs to the fair value measurement are directly observable, such as the underlying interest rate assumptions.

The following tables represent the Endowment's fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis as of June 30, 2017 and 2016:

	2017			
	Total	Investments Measured at NAV (a)	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)
Assets:				
Fixed income securities:				
U.S. Government and agency obligations (AAA Rated)	$ 8,907,675	$ -	$ 8,907,675	$ -
India Government and agency obligations (AAA Rated)	743,670	-	743,670	-
Total fixed income securities	9,651,345	-	9,651,345	-
Exchange traded funds	1,587,729	-	1,587,729	-
Fund of fund:				
Hedge fund multi-strategy	173,754,841	173,754,841	-	-
Private equity multi-strategy	98,869,572	98,869,572	-	-
Total fund of fund	272,624,413	272,624,413	-	-
Fixed income funds	8,073,080	8,073,080	-	-
Money market funds	11,532,708	-	11,532,708	-
Real estate funds	1,437,264	1,437,264	-	-
Event driven funds	1,338,277	1,338,277	-	-
	$ 306,244,816	$ 283,473,034	$ 22,771,782	$ -
Liabilities:				
Futures variation margin *	$ 8,909	$ -	$ 8,909	$ -
Other *	268,975	-	268,975	-
Interest rate swap agreement	10,269,407	-	-	10,269,407
	$ 10,547,291	$ -	$ 277,884	$ 10,269,407

* Netted with investments on the statement of financial position

Note 4. Fair Value Measurements (Continued)

	2016			
	Total	Investments Measured at NAV (a)	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)
Assets:				
Fixed income securities:				
U.S. Government and agency obligations (AAA Rated)	$ 7,738,542	$ -	$ 7,738,542	$ -
Other	637,173	-	637,173	-
Total fixed income securities	8,375,715	-	8,375,715	-
Exchange traded funds	1,567,775	-	1,567,775	-
Fund of fund:				
Hedge fund multi-strategy	161,616,286	161,616,286	-	-
Private equity multi-strategy	90,524,110	90,524,110	-	-
Total fund of fund	252,140,396	252,140,396	-	-
Fixed income funds	8,118,863	8,118,863	-	-
Money market funds	13,981,883	-	13,981,883	-
Real estate funds	2,036,516	2,036,516	-	-
Event driven funds	1,268,771	1,268,771	-	-
Futures variation margin	8,869	-	8,869	-
	$ 287,498,788	$ 263,564,546	$ 23,934,242	$ -
Liabilities:				
Interest rate swap agreement	$ 14,701,964	$ -	$ -	$ 14,701,964
	$ 14,701,964	$ -	$ -	$ 14,701,964

(a) In accordance with Codification Topic 820-10, certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statements of financial position.

The Endowment assesses the levels of the investments at each measurement date, and transfers between levels are recognized on the actual date of the event or change in circumstances that caused the transfer in accordance with the Endowment's accounting policy regarding the recognition of transfers between levels of the fair value hierarchy. There were no transfers among Levels 1, 2 and 3 during the year.

Note 4. Fair Value Measurements (Continued)

The following tables provide additional information regarding investments valued based on net asset value or equivalent, which will help describe the nature and risk of the investments by major category:

	2017			
Investments	Fair Value	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Notice Period
Event driven (a)	$ 1,338,277	$ -	None	None
Fund of fund private equity multi-strategy (b)	98,869,572	53,878,934	Annually – unavailable	180 days – N/A
Fund of fund hedge fund multi-strategy (c)	173,754,841	-	Monthly – Quarterly	90 days – 120 days
Fixed income funds (d)	8,073,080	-	Three-year lock-up with 1/3 installments on the 3rd, 4th and 5th anniversary	90 days
Real estate funds	1,437,264	652,855	None	None
Total	$ 283,473,034	$ 54,531,789		

	2016			
Investments	Fair Value	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Notice Period
Event driven (a)	$ 1,268,771	$ -	None	None
Fund of fund private equity multi-strategy (b)	90,524,110	67,186,530	Annually – unavailable	180 days – N/A
Fund of fund hedge fund multi-strategy (c)	161,616,286	-	Monthly – Quarterly	90 days – 120 days
Fixed income funds (d)	8,118,863	-	Three-year lock-up with 1/3 installments on the 3rd, 4th and 5th anniversary	90 days
Real estate funds	2,036,516	652,855	None	None
Total	$ 263,564,546	$ 67,839,385		

Note 4. Fair Value Measurements (Continued)

(a) This category includes hedge funds that invest to profit from economic, political and government driven events. The fair values of investments in this category have been estimated using the net asset value per share of the investments. Investments in this category have a five-year lock-up with a 90-day notice period. As of June 30, 2017, investments in this category are no longer subject to a lock up. The manager has begun a liquidation of the remaining investments.

(b) This category includes a combination of some or all of the other strategies. Managers may have the flexibility to invest across all asset classes and to change their allocations to various strategies and instruments as they see fit. Instruments include a broad range of private asset classes, including buyout, venture, and growth equity, and real assets, natural resources and others. The fair values of investments in this category have been estimated using the net asset value per share of the investments. Investments representing approximately 95% and 94% of the value of the investments in this category have no redemptions as of June 30, 2017 and 2016, respectively. Investments representing 5% and 6% of the value of the investments have annual redemptions with 180 days' notice as of June 30, 2017 and 2016, respectively.

(c) This category includes a combination of some or all of the other strategies. Managers may have the flexibility to invest and to change their allocations to various strategies and instruments as they see fit. Managers usually focus on private investment funds (also referred to as hedge funds). Multi-strategy funds may go long or short and typically use leverage to help diversify their allocations. The fair values of investments in this category have been estimated using the net asset value per share of the investments. Investments representing approximately 35% and 36% of the value of the investments in this category have monthly redemptions with 100 days' notice as of June 30, 2017 and 2016, respectively. Investments representing14% and 15% of the value of the investments in this category have quarterly redemptions with 120 days' notice as of June 30, 2017 and 2016, respectively. The remaining investments in this category, approximately 51% and 49%, have quarterly redemptions with 90 days' notice as of June 30, 2017 and 2016, respectively.

(d) This category includes hedge funds that invest in fixed income and currency markets. Managers have the flexibility to invest in U.S. Treasury securities, securities issued by non-U.S. sovereign jurisdictions, U.S. and non-U.S. corporate debt, U.S. and non-U.S. equities, currencies, commodities, options, swaps, futures contracts, forward contracts, interest rate caps and floors, credit products (including credit default swaps) and other derivative and structured products. The fair values of investments in this category have been estimated using the net asset value per share of the investments. Investments in this category have a three-year rolling lock-up period with 1/3 installments redeemable in any 12-month period.

Note 5. Property and Equipment

Property and equipment and accumulated depreciation as of June 30, 2017 and 2016, and depreciation expense for the years then ended, are as follows:

			2017		
Asset Category	Estimated Lives	Cost	Accumulated Depreciation	Net	Depreciation Expense
Building	60 years	$ 25,934,047	$ 8,646,850	$ 17,287,197	$ 565,888
Furniture and equipment	3-10 years	5,300,096	4,105,805	1,194,291	457,220
Land		6,374,592	-	6,374,592	-
		$ 37,608,735	$ 12,752,655	$ 24,856,080	$ 1,023,108

			2016		
Asset Category	Estimated Lives	Cost	Accumulated Depreciation	Net	Depreciation Expense
Building	60 years	$ 25,693,690	$ 8,161,199	$ 17,532,491	$ 556,403
Furniture and equipment	3-10 years	4,748,975	3,690,424	1,058,551	415,466
Land		6,374,592	-	6,374,592	-
		$ 36,817,257	$ 11,851,623	$ 24,965,634	$ 971,869

Note 6. Note Payable and Related Interest Rate Swap

The Endowment has an unsecured promissory note that currently bears an interest rate of 5.49%. The Endowment makes monthly payments of principal and interest, with all outstanding principal amounts being due upon maturity. On June 19, 2008, the Endowment amended the note, extending the original maturity from December 31, 2008, to December 31, 2018. Effective on January 1, 2009, the note bears an interest rate equal to the Eurodollar rate plus 0.63%. In anticipation of amending the promissory note, the Endowment entered into a forward interest rate swap agreement on June 5, 2008, with Bank of America, effective December 1, 2008, to reduce the impact of changes in interest rates on the promissory note. Under the agreement, the notional principal amount is the balance of the promissory note, with the Endowment receiving floating payments of one-month London InterBank Offered Rate (LIBOR) plus 0.63% and paying a fixed rate of 5.49% (see Note 8). The agreement expires on December 1, 2018. Interest expense relating to the promissory note totaled $169,273 and $188,059 for the years ended June 30, 2017 and 2016, respectively. The note contains a number of financial and non-financial covenants.

Future minimum principal payments on this promissory note at June 30, 2017, are as follows:

Years ending June 30:	
2018	$ 373,854
2019	2,486,526
	$ 2,860,380

Note 7. Bonds Payable

On May 10, 2006, the District of Columbia issued $33,250,000 of variable District of Columbia Revenue Bonds (Carnegie Endowment for International Peace Issue) due on November 1, 2045. The 2006 bonds were issued by the District of Columbia and loaned to the Endowment, to provide funds to redeem the 1996 bonds. The 2006 bonds bear interest at a weekly auction rate and have an original interest rate of 3.55%. Due to changing market conditions, effective April 22, 2008, the Endowment converted its 2006 bonds from auction rate securities to variable demand notes in a weekly rate mode. The Endowment cancelled the underlying insurance on the auction rate securities and obtained a letter of credit to support the variable demand notes. The unamortized insurance premium was expensed. Legal, accounting, consulting, printing costs, and other expenses associated with the 2006 issuance and 2008 conversion amounted to $1,320,258 and are being amortized using the straight-line method over the term of the bonds. Amortization expense totaled $23,285 and $23,349 for the years ended June 30, 2017 and 2016, respectively, and accumulated amortization at June 30, 2017 and 2016, totaled $659,845 and $636,559, respectively. Bonds payable are presented net of unamortized issuance costs of $660,413 and $683,699 on the statements of financial position as of June 30, 2017 and 2016, respectively.

The bonds are secured with a letter of credit, and collateralized by all income, earnings, and cash proceeds of the Endowment. The total of the letter of credit is $33,621,672, with an outstanding balance of $0 at June 30, 2017 and 2016.

Future minimum principal payments on the bonds at June 30, 2017, are as follows:

Years ending June 30:		
2018	$	-
2019		-
2020		-
2021		-
2022		-
Thereafter		33,250,000
	$	33,250,000

Interest expense related to the variable rate demand bonds totaled $403,602 and $202,429 for the years ended June 30, 2017 and 2016, respectively. As discussed in Note 8, the Endowment executed an interest rate swap agreement related to the bonds. The rate in effect at June 30, 2017 and 2016, was 3.75%. The bonds contain a number of financial and non-financial covenants.

Note 8. Interest Rate Swap Agreement

The Endowment exercised the 1996 bonds optional redemption on May 15, 2006, and issued variable bonds on May 10, 2006, to fund the redemption (see Note 7). On March 22, 2005, the Endowment entered into a forward interest rate swap agreement with Morgan Stanley Capital Services, Inc. (Morgan Stanley), effective May 15, 2006, to reduce the impact of changes in interest rates on its contemplated issue of floating rate bonds in May 2006. On July 7, 2005, and then again on May 2, 2006, the Endowment amended the interest rate swap agreement. Under the amended agreement, the notional principal amount is $33,250,000, the fixed rate is 3.751%, and the agreement expires on November 1, 2045. The agreement effectively changes the Endowment’s interest rate swap exposure on the issuance of its floating rate bonds in May 2006 to a fixed 3.751%. The Endowment is exposed to credit loss in the event of non-performance by Morgan Stanley to the interest rate swap agreement. However, the Endowment does not anticipate non-performance by the counter party.

Note 8. Interest Rate Swap Agreement (Continued)

During the year ended June 30, 2017, the Endowment paid out $1,247,208 on the swap and received $297,080 from Morgan Stanley on the swap, with the net of $950,128 included in the 2006 bond interest expense. During the year ended June 30, 2016, the Endowment paid out $1,247,208 on the swap and received $192,828 from Morgan Stanley on the swap, with the net of $1,054,380 included in the 2006 bond interest expense. At June 30, 2017 and 2016, a liability of $10,133,879 and $14,402,659, respectively, was recognized as the fair value of the interest rate swap agreement held with Morgan Stanley. At June 30, 2017 and 2016, a liability of $135,528 and $299,305, respectively, was recognized for the Bank of America swap discussed in Note 6.

Note 9. Lease Commitments

The Endowment has a lease expiring on August 31, 2018, for office space for its operations in Moscow. The terms of the lease are 28,350 rubles (or $479) per square meter per year, with the Endowment renting 438 square meters.

The Endowment has a lease expiring on December 31, 2018, for office space for its operations in Beirut. The terms of the lease are $238 per square meter per year, with the Endowment renting 687 square meters.

The Endowment has a non-cancelable lease expiring on February 23, 2019, for office space for its operations in Brussels. The terms of the lease are 66,000 Euros (or $75,390) per year, adjusted annually for cost of living index, with the Endowment renting 574 square meters.

The Endowment has a lease expiring on August 31, 2019, for office space for its operations in India. The terms of the lease are 9,600,000 rupees (or $148,158) per year, with the Endowment renting 2,500 square feet.

Rent expense under these operating leases for the years ended June 30, 2017 and 2016, totaled $641,700 and $504,752, respectively. Future minimum lease payments relating to these non-cancelable leases are as follows:

Years ending June 30:		
2018	$	605,627
2019		316,968
2020		24,693
	$	947,288

Note 10. Leasing Arrangements as Lessor

The Endowment receives rental income from leasing approximately 36,000 square feet of space to 11 tenants in its headquarters building in Washington, D.C. The tenants pay the Endowment a base rent plus a percentage of the operating costs of the building. Individual tenants’ square footage leased ranges from 1,088 square feet up to 4,855 square feet. The building’s financing and zoning limits use to certain types of institutions and professional offices. Lease terms of the tenants are typically one to ten years, with current lease terms of individual tenants up for renewal varying through April 30, 2023. Rental income under these leases was $1,518,876 and $1,640,594 for the years ended June 30, 2017 and 2016, respectively.

Note 10. Leasing Arrangements as Lessor (Continued)

Future minimum rental payments to be received at June 30, 2017, are as follows:

Years ending June 30:		
2018	$	789,413
2019		721,919
2020		589,636
2021		479,471
2022		415,365
Thereafter		537,781
	$	3,533,585

Note 11. Retirement Plan

The Endowment has a defined contribution pension plan (the Plan) for all qualified employees. The Endowment contributes 15% of each covered employee's salary, up to statutory limits, to the Plan. Employees may contribute to the Plan at their option. Contributions to the Plan are fully vested to the employee upon payment to the Plan. Each participant in the Plan will receive, on the stipulated retirement or termination date, an annuity for the value of the account. Pension costs amounted to $1,427,545 and $1,346,287 for the years ended June 30, 2017 and 2016, respectively.

Note 12. Related Party Transactions

During the years ended June 30, 2017 and 2016, trustees of the Endowment gave contributions of $5,122,660 and $3,704,435, respectively, to support the Endowment's operations.

Note 13. Restricted Net Assets

Temporarily restricted net assets due to time and purpose and changes therein consist of the following as of and for the years ended June 30, 2017 and 2016. Net assets were released from restriction by satisfying the program restrictions.

	2017			
	Beginning Balance	Additions, Net of Investment Return	Released From Restriction	Ending Balance
Original Endowment Funds	$ 217,627,899	$ 32,801,721	$ (15,501,879)	$ 234,927,741
Global Vision	13,246,005	1,672,279	(1,600,482)	13,317,802
Junior Fellow Chair	6,015,411	873,538	(50,000)	6,838,949
Russia Eurasia Program	4,861,099	1,651,800	(2,423,818)	4,089,081
Middle East Program	2,498,722	2,988,152	(1,822,560)	3,664,314
Nuclear Policy Program	2,341,429	911,741	(2,107,859)	1,145,311
Democracy Rule of Law Program	2,432,788	899,269	(1,364,001)	1,968,056
Cyber Policy Institute	114,521	870,001	(270,673)	713,849
Asia Program	1,650,528	2,433,872	(1,687,734)	2,396,666
Miscellaneous	876,320	342,045	(473,311)	745,054
Energy & Climate Program	305,536	408,461	(385,398)	328,599
South Asia Program	2,205,239	1,963,226	(1,793,423)	2,375,042
Technology & International Affairs Program	-	100,000	(100,000)	-
Visiting Distinguished Statesman John Kerry Program	-	1,604,920	(230,807)	1,374,113
Geoeconomics & Strategy Program	-	650,000	(91,467)	558,533
Europe Program	258,965	811,915	(363,529)	707,351
	$ 254,434,462	$ 50,982,940	$ (30,266,941)	$ 275,150,461

	2016			
	Beginning Balance	Additions, Net of Investment Return	Released From Restriction	Ending Balance
Original Endowment Funds	$ 247,086,821	$ (14,431,341)	$ (15,027,581)	$ 217,627,899
Global Vision	16,429,045	(632,569)	(2,550,471)	13,246,005
Junior Fellow Chair	150,737	5,914,674	(50,000)	6,015,411
Russia Eurasia Program	5,099,248	2,237,211	(2,475,360)	4,861,099
Middle East Program	2,994,341	1,979,900	(2,475,519)	2,498,722
Nuclear Policy Program	2,643,673	1,387,745	(1,689,989)	2,341,429
Democracy Rule of Law Program	1,318,071	2,364,609	(1,249,892)	2,432,788
Cyber Policy Initiative	195,704	-	(81,183)	114,521
Asia Program	1,074,720	1,753,069	(1,177,261)	1,650,528
Miscellaneous	773,730	1,003,259	(900,669)	876,320
Energy & Climate Program	437,756	394,024	(526,244)	305,536
South Asia Program	400,836	2,505,344	(700,941)	2,205,239
Europe Program	152,814	382,484	(276,333)	258,965
	$ 278,757,496	$ 4,858,409	$ (29,181,443)	$ 254,434,462

Note 13. Restricted Net Assets (Continued)

Permanently restricted net assets represent donor-restricted contributions in which the donor has stipulated that the principal be maintained intact in perpetuity.

Permanently restricted net assets consist of the following as of June 30, 2017 and 2016:

	2017
Original Endowment	$ 10,000,000
Tata Education & Development Trust	64,204
James C. Gaither Junior Fellow Fund	2,468,582
Endowed Chair	1,230,839
El-Erian Endowment for Carnegie Middle East Center	1,000,000
The David and Lucile Packard Foundation	500,000
Charles Kaye	250,000
George and Pamela M. Siguler	162,515
Michael Abramowitz and Susan Baer	10,891
	$ 15,687,031

	2016
Original Endowment	$ 10,000,000
James C. Gaither Junior Fellow Fund	2,093,582
Endowed Chair	1,230,839
El-Erian Endowment for Carnegie Middle East Center	1,000,000
The David and Lucile Packard Foundation	500,000
Charles Kaye	250,000
George and Pamela M. Siguler	108,435
	$ 15,182,856

Note 14. Endowments

The Endowment is subject to the enacted New York version of the Uniform Prudent Management of Institutional Funds Act (NYUPMIFA). The Board of Trustees has interpreted NYUPMIFA as requiring permanently restricted net assets to include the original value of the gifts donated and additions made to the permanent endowment in accordance with the donor gift instrument. The remaining portion of the endowment that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Endowment in a manner consistent with the donor gift instruments and the standard of prudence prescribed by NYUPMIFA.

The Endowment maintains a $10 million permanently restricted fund, consisting of the original sums received from Andrew Carnegie and accumulated income thereon. The terms of the gift instrument stipulated that the principal may never be expended; however, the income is expendable. The Endowment reports the original sums received from Andrew Carnegie as permanently restricted net assets. Accumulated income on this gift is reported as temporarily restricted net assets until appropriated for use.

Note 14. Endowments (Continued)

The Endowment adopted an investment policy and a spending rate policy designed to provide a relatively predictable and growing stream of revenues to the operating budget. The Endowment follows an investment policy that attempts to maximize annualized returns, net of costs, over rolling ten-year periods, while adhering to the Endowment's risk parameters. The investment income allocation from the Endowment for operating expenditures has two components: 70% of the previous year's appropriation increased by an inflation factor, and 30% of the average market value of the portfolio for the 90-day period preceding the end of the fiscal year from two years prior, multiplied by 5%. The fiscal year ended June 30, 2013, was the first of a board approved capital campaign to strengthen and grow the operations in D.C. and abroad. During this capital campaign, the Board of Trustees has authorized an additional annual investment allocation with the expectation that the funds raised will far exceed the additional investment allocation. In fiscal year 2017, the additional investment allocation was $1,376,795.

The following factors are considered in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the Endowment and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Endowment
- The investment policies of the Endowment

Endowment funds consist of the following as of June 30, 2017:

	Temporarily Restricted	Permanently Restricted	Total
Original Endowment	$ 234,927,741	$ 10,000,000	$ 244,927,741
Tata Education & Development Trust	14,460	4,019,548	4,034,008
James C. Gaither Junior Fellow Fund	286,200	2,468,582	2,754,782
Endowed Chair	155,344	1,230,839	1,386,183
El-Erian Endowment for Carnegie Middle East Center	353,912	1,000,000	1,353,912
The David and Lucile Packard Foundation	95,183	500,000	595,183
Charles Kaye	34,504	250,000	284,504
George and Pamela M. Siguler	17,579	162,515	180,094
Michael Abramowitz and Susan Baer	634	10,891	11,525
Donor-restricted endowment funds	$ 235,885,557	$ 19,642,375	$ 255,527,932

Note 14. Endowments (Continued)

Endowment funds consisted of the following as of June 30, 2016:

	Temporarily Restricted	Permanently Restricted	Total
Original Endowment	$ 217,627,899	$ 10,000,000	$ 227,627,899
James C. Gaither Junior Fellow Fund	74,057	2,093,582	2,167,639
Endowed Chair	3,441	1,230,839	1,234,280
El-Erian Endowment for Carnegie Middle East Center	258,257	1,000,000	1,258,257
The David and Lucile Packard Foundation	36,270	500,000	536,270
Charles Kaye	3,327	250,000	253,327
George and Pamela M. Siguler	-	108,435	108,435
Donor-restricted endowment funds	$ 218,003,251	$ 15,182,856	$ 233,186,107

Endowment fund activity for the year ended June 30, 2017, consists of the following:

	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 218,003,251	$ 15,182,856	$ 233,186,107
Investment return:			
Realized and unrealized gain on investments	33,496,119	-	33,496,119
Amounts appropriated for expenditure	(15,613,813)	-	(15,613,813)
Contributions	-	4,459,519	4,459,519
Endowment net assets, end of year	$ 235,885,557	$ 19,642,375	$ 255,527,932

Endowment fund activity for the year ended June 30, 2016, consisted of the following:

	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 247,708,369	$ 13,168,298	$ 260,876,667
Investment return:			
Realized and unrealized loss on investments	(14,571,977)	-	(14,571,977)
Amounts appropriated for expenditure	(15,133,141)	-	(15,133,141)
Contributions	-	2,014,558	2,014,558
Endowment net assets, end of year	$ 218,003,251	$ 15,182,856	$ 233,186,107