

**Carnegie Endowment for
International Peace**

Financial Statements
June 30, 2011 and 2010

Contents

Independent Auditor's Report	1
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Financial Statements	
Statements of Financial Position	2
Statement of Activities – 2011	3
Statement of Activities – 2010	4
Statements of Functional Expenses	5
Statements of Cash Flows	6
Notes to Financial Statements	7 – 25



Independent Auditor's Report

Board of Trustees
Carnegie Endowment for International Peace
Washington, D.C.

We have audited the accompanying statements of financial position of the Carnegie Endowment for International Peace (the Endowment) as of June 30, 2011 and 2010, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the Endowment's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Carnegie Endowment for International Peace as of June 30, 2011 and 2010, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

McGladrey & Pullen, LLP

Vienna, Virginia
October 11, 2011

Carnegie Endowment for International Peace
 Statements of Financial Position
 June 30, 2011 and 2010

Assets

	2011	2010
Current assets:		
Cash and cash equivalents	\$ 3,027,177	\$ 1,752,710
Accounts receivable and prepaid expenses	1,862,651	1,519,210
Contributions receivable, current portion	5,406,778	6,726,087
Total current assets	10,296,606	9,998,007
Long-term assets:		
Contributions receivable, net of current portion	858,083	1,705,640
Investments	261,371,850	233,467,371
Property and equipment, net	25,755,454	25,953,894
Bond issuance costs, net	800,253	743,992
Total long-term assets	288,785,640	261,870,897
Total assets	\$ 299,082,246	\$ 271,868,904

Liabilities and Net Assets

Current liabilities:		
Accounts payable and accrued expenses	\$ 2,755,079	\$ 1,987,310
Tenant liabilities	34,630	17,110
Bond interest payable	103,348	168,791
Note payable, current portion	264,359	250,302
Total current liabilities	3,157,416	2,423,513
Long-term liabilities:		
Tenant deposits	79,808	83,207
Note payable, net of current portion	4,438,886	4,703,245
Interest rate swap agreement	5,554,757	7,124,666
Bonds payable	33,250,000	33,250,000
Total long-term liabilities	43,323,451	45,161,118
Total liabilities	46,480,867	47,584,631
Net assets:		
Unrestricted	-	190,247,479
Temporarily restricted	242,101,379	23,536,794
Permanently restricted	10,500,000	10,500,000
Total net assets	252,601,379	224,284,273
Total liabilities and net assets	\$ 299,082,246	\$ 271,868,904

See accompanying notes to financial statements

Carnegie Endowment for International Peace
Statement of Activities
Year Ended June 30, 2011

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Operating revenue and other support:				
Investment income allocation	\$ 11,787,407	\$ -	\$ -	\$ 11,787,407
Contributions	450	7,379,148	-	7,379,598
Rental income	1,653,982	-	-	1,653,982
Earned revenue – projects	248,361	-	-	248,361
Conference center rental income	221,436	-	-	221,436
Other	144,024	-	-	144,024
Publications	60,225	-	-	60,225
	<u>14,115,885</u>	<u>7,379,148</u>	<u>-</u>	<u>21,495,033</u>
Net assets to be released from restrictions	<u>12,137,066</u>	<u>(12,137,066)</u>	<u>-</u>	<u>-</u>
Total operating revenue and other support	<u>26,252,951</u>	<u>(4,757,918)</u>	<u>-</u>	<u>21,495,033</u>
Operating expenses:				
Salaries	10,396,941	-	-	10,396,941
Payroll taxes and employee benefits	3,184,032	-	-	3,184,032
Consulting and professional fees	2,760,422	-	-	2,760,422
Travel	2,466,896	-	-	2,466,896
Interest expense	1,715,099	-	-	1,715,099
General and administrative	1,670,027	-	-	1,670,027
Property management	1,213,537	-	-	1,213,537
Publication expenses	893,187	-	-	893,187
Meetings and seminars	855,561	-	-	855,561
Depreciation and amortization	750,221	-	-	750,221
Rent	729,447	-	-	729,447
Real estate taxes	451,747	-	-	451,747
Grants	335,000	-	-	335,000
Total operating expenses	<u>27,422,117</u>	<u>-</u>	<u>-</u>	<u>27,422,117</u>
Change in net assets from operations	(1,169,166)	(4,757,918)	-	(5,927,084)
Non-operating revenues and expenses:				
Investment gain in excess of spending rate	30,409,397	2,264,884	-	32,674,281
Fair value gain on interest rate swap	1,569,909	-	-	1,569,909
Change in net assets	30,810,140	(2,493,034)	-	28,317,106
Net Assets, beginning of year	190,247,479	23,536,794	10,500,000	224,284,273
Effect of NYPMIFA enactment	<u>(221,057,619)</u>	<u>221,057,619</u>	<u>-</u>	<u>-</u>
Net Assets, end of year	<u>\$ -</u>	<u>\$ 242,101,379</u>	<u>\$ 10,500,000</u>	<u>\$ 252,601,379</u>

See accompanying notes to financial statements

Carnegie Endowment for International Peace
Statement of Activities
Year Ended June 30, 2010

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Operating revenue and other support:				
Investment income allocation	\$ 12,284,829	\$ -	\$ -	\$ 12,284,829
Contributions	-	7,706,473	-	7,706,473
Rental income	1,450,669	-	-	1,450,669
Earned revenue – projects	308,653	-	-	308,653
Conference center rental income	187,280	-	-	187,280
Other	487,186	-	-	487,186
Publications	63,922	-	-	63,922
	<u>14,782,539</u>	<u>7,706,473</u>	<u>-</u>	<u>22,489,012</u>
Net assets to be released from restrictions	10,094,116	(10,094,116)	-	-
Total operating revenue and other support	<u>24,876,655</u>	<u>(2,387,643)</u>	<u>-</u>	<u>22,489,012</u>
Operating expenses:				
Salaries	9,290,669	-	-	9,290,669
Payroll taxes and employee benefits	2,790,532	-	-	2,790,532
Consulting and professional fees	2,045,862	-	-	2,045,862
Travel	1,429,225	-	-	1,429,225
Interest expense	1,790,520	-	-	1,790,520
General and administrative	1,409,249	-	-	1,409,249
Property management	1,166,102	-	-	1,166,102
Publication expenses	846,383	-	-	846,383
Meetings and seminars	709,978	-	-	709,978
Depreciation and amortization	699,172	-	-	699,172
Rent	655,545	-	-	655,545
Real estate taxes	568,757	-	-	568,757
Grants	778,109	-	-	778,109
Total operating expenses	<u>24,180,103</u>	<u>-</u>	<u>-</u>	<u>24,180,103</u>
Change in net assets from operations	696,552	(2,387,643)	-	(1,691,091)
Non-operating revenues and expenses:				
Investment gain in excess of spending rate	21,037,874	1,139,067	-	22,176,941
Fair value loss on interest rate swap	(2,222,121)	-	-	(2,222,121)
Change in net assets	19,512,305	(1,248,576)	-	18,263,729
Net Assets, beginning of year	<u>170,735,174</u>	<u>24,785,370</u>	<u>10,500,000</u>	<u>206,020,544</u>
Net Assets, end of year	<u>\$ 190,247,479</u>	<u>\$ 23,536,794</u>	<u>\$ 10,500,000</u>	<u>\$ 224,284,273</u>

See accompanying notes to financial statements

Carnegie Endowment for International Peace
 Statements of Functional Expenses
 Years Ended June 30, 2011 and 2010

2011

	Program	Management & General	Fundraising	Total
Salaries	\$ 6,909,352	\$ 2,934,427	\$ 553,162	\$ 10,396,941
Payroll taxes and employee benefits	1,969,462	1,099,512	115,058	3,184,032
Consulting and professional fees	2,085,903	667,694	6,825	2,760,422
Travel	2,239,341	227,555	-	2,466,896
Interest expense	1,139,779	484,069	91,251	1,715,099
General and administrative	848,586	800,609	20,832	1,670,027
Property management	806,464	342,508	64,565	1,213,537
Publication expenses	773,596	71,309	48,282	893,187
Meetings and seminars	640,096	214,422	1,043	855,561
Depreciation and amortization	532,127	176,380	41,714	750,221
Rent	729,447	-	-	729,447
Real estate taxes	300,211	127,501	24,035	451,747
Grants	335,000	-	-	335,000
	<u>19,309,364</u>	<u>7,145,986</u>	<u>966,767</u>	<u>27,422,117</u>
Investment fees	-	867,593	-	867,593
	<u>\$ 19,309,364</u>	<u>\$ 8,013,579</u>	<u>\$ 966,767</u>	<u>\$ 28,289,710</u>

2010

	Program	Management & General	Fundraising	Total
Salaries	\$ 6,049,012	\$ 2,578,251	\$ 663,406	\$ 9,290,669
Payroll taxes and employee benefits	1,629,008	949,568	211,956	2,790,532
Consulting and professional fees	1,639,459	406,303	100	2,045,862
Interest expense	1,165,780	496,887	127,853	1,790,520
Travel	1,204,515	223,419	1,291	1,429,225
General and administrative	772,668	610,546	26,035	1,409,249
Property management	759,231	323,605	83,266	1,166,102
Publication expenses	692,866	89,786	63,731	846,383
Grants	305,000	473,109	-	778,109
Meetings and seminars	619,405	90,452	121	709,978
Depreciation and amortization	480,279	165,020	53,873	699,172
Rent	655,545	-	-	655,545
Real estate taxes	370,309	157,836	40,612	568,757
	<u>16,343,077</u>	<u>6,564,782</u>	<u>1,272,244</u>	<u>24,180,103</u>
Investment fees	-	211,862	-	211,862
	<u>\$ 16,343,077</u>	<u>\$ 6,776,644</u>	<u>\$ 1,272,244</u>	<u>\$ 24,391,965</u>

See accompanying notes to financial statements

Carnegie Endowment for International Peace
 Statements of Cash Flows
 Years Ended June 30, 2011 and 2010

	2011	2010
Cash flows from operating activities:		
Change in net assets	\$ 28,317,106	\$ 18,263,729
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Unrealized gain on investments	(34,007,970)	(29,156,922)
Realized gain on investments	(9,459,662)	(5,018,753)
Amortization of bond issuance costs	22,989	20,005
Fair value (gain) loss on interest rate swap	(1,569,909)	2,222,121
Depreciation	727,231	679,165
Changes in assets and liabilities:		
Accounts receivable and prepaid expenses	(343,441)	(695,811)
Contributions receivable	2,166,866	2,858,783
Accounts payable and accrued expenses	767,769	242,769
Tenant liabilities	17,520	(8,587)
Bond interest payable	(65,443)	50,831
Tenant deposits	(3,399)	14,251
Net cash used in operating activities	(13,430,343)	(10,528,419)
Cash flows from investing activities:		
Proceeds from sales of investments	35,666,233	85,021,324
Purchases of investments	(20,103,080)	(74,174,094)
Purchases of furniture and equipment	(528,791)	(484,814)
Net cash provided by investing activities	15,034,362	10,362,416
Cash flows from financing activities:		
Bond issuance costs	(79,250)	(36,403)
Payments on note payable	(250,302)	(236,333)
Net cash used in financing activities	(329,552)	(272,736)
Net increase (decrease) in cash and cash equivalents	1,274,467	(438,739)
Cash and cash equivalents, beginning of year	1,752,710	2,191,449
Cash and cash equivalents, end of year	\$ 3,027,177	\$ 1,752,710
Supplemental cash flow data:		
Cash paid during the year for interest	\$ 1,781,689	\$ 1,737,441

See accompanying notes to financial statements

Carnegie Endowment for International Peace

Notes to Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies

Nature of activities: The Carnegie Endowment for International Peace (the Endowment) is a non-profit organization incorporated under the laws of the state of New York. The Endowment was established to promote the advancement and diffusion of knowledge and understanding among the people of the United States; to advance the cause of peace among nations; to hasten the renunciation of war as an instrument of national policy; to encourage and promote methods for the peaceful settlement of international differences and for the increase of international understanding and concord; and to aid in the development of international law and the acceptance by all nations of the principles underlying such law.

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, 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.

Cash and cash equivalents: For the purposes of reporting cash flows, the Endowment considers time deposits, certificates of deposit, and all highly liquid debt instruments with original maturities of three months or less, except those amounts included in investment accounts, to be cash equivalents.

Financial 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 investments consist of 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.

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 against bad debt expense. There is no allowance for doubtful accounts, based on management's estimate that all receivables are fully collectible.

Carnegie Endowment for International Peace

Notes to Financial Statements

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

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

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.

Fair value of financial instruments: The fair value of all financial instruments approximates carrying value at June 30, 2011 and 2010. The following methods and assumptions were used to estimate the fair value of each class of financial instruments:

Cash and cash equivalents – For cash and cash equivalents, the carrying amount is a reasonable estimate of fair value.

Accounts receivable – The carrying amount of these accounts approximates fair value because of the short maturity of these instruments.

Contributions receivable – Fair value is estimated based on the donor's verifiable pledge. For those due in greater than one year, fair value is estimated by discounting estimated future cash flows at rates approximating the current rate for risk-free returns. Fair value is adjusted in consideration of the allowance for possible uncollectible contributions receivable.

Accounts payable and accrued expenses – The carrying amount of these liabilities approximates fair value because of the short maturity of these obligations.

Carnegie Endowment for International Peace

Notes to Financial Statements

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

Investments in fixed income securities – Investments are stated at market value based on the last sale price; all securities were traded on United States national securities exchanges on June 30, 2011. Securities transactions are recorded on a trade-date basis and are carried at fair value. Realized gains and losses on securities transactions are determined on a specific identification basis and are included as net realized gain on investments in the accompanying statements of activities. The difference between the cost and the fair value of open investments is reflected as the net change in unrealized appreciation (depreciation) on investments in the accompanying statements of activities. Interest income is recognized under the accrual basis. Dividend income is recognized on the ex-dividend date.

Investments in limited partnership funds – Investments in limited partnership funds are valued 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 reported at cost based on the applicable percentage ownership of the company. The cost is determined by the general partner or sponsor of the respective investment partnership and may not reflect amounts that could be realized upon immediate sale, nor amounts that may be ultimately realized.

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.

Long-term debt – The fair value of the notes payable and bonds payable approximates their carrying value, based on the estimated current borrowing rate the Endowment could obtain for similar issuances of debt.

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, which range from three to ten years. The building is stated at cost and is depreciated using the straight-line method 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.

Carnegie Endowment for International Peace

Notes to Financial Statements

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

Valuation of long-lived assets: The Endowment accounts for the valuation of long-lived assets by reviewing such 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.

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 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 as net assets released from restrictions in the same period.

Investments with readily determinable fair values are reflected at fair market value. To adjust the carrying value of the investment, unrealized gains and losses are reported in the statements of activities as non-operating revenues and expenses. Realized gains and losses from sales of investments are recognized on the trade date. Dividend income is recognized on the ex-dividend date. Interest income is recognized when earned.

Publications revenue is recognized when the sale of the publication occurs.

Carnegie Endowment for International Peace

Notes to Financial Statements

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.

When tax returns are filed, it is highly certain that some positions taken would be sustained upon examination by the taxing authorities, while others are subject to uncertainty about the merits of the position taken or the amount of the position that would be ultimately sustained. The benefit of a tax position is recognized in the financial statements in the period during which, based on all available evidence, management believes it is more likely than not that the position will be sustained upon examination, including the resolution of appeals or litigation processes, if any. Tax positions taken are not offset or aggregated with other positions. Tax positions that meet the more-likely-than-not recognition threshold are measured as the largest amount of tax benefit that is more than 50% likely of being realized upon settlement with the applicable taxing authority. The portion of the benefits associated with tax positions taken that exceeds the amount measured as described above is reflected as a liability for unrecognized tax benefits in the accompanying statements of financial position, along with any associated interest and penalties that would be payable to the taxing authorities upon examination.

The Endowment files income tax returns in the U.S. federal jurisdiction. As of June 30, 2011, 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 2008.

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.

Carnegie Endowment for International Peace

Notes to Financial Statements

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

New accounting pronouncement: In January 2010, the FASB released Accounting Standards Update No. 2010-06 (ASU 2010-06), which provides accounting guidance that requires new fair value measurement classification disclosures and clarifies existing disclosures. The guidance requires: (i) separate disclosures of significant transfers between Levels 1 and 2 and reasons for transfers; (ii) disclosure, on a gross basis, of purchases, sales, issuances, and net settlements within Level 3 measurements; (iii) disclosures by class of assets and liabilities; and (iv) a description of the evaluation techniques and inputs used to measure fair value for both recurring and non-recurring fair value measurements. The guidance is effective for interim and annual reporting periods beginning after December 15, 2009, except for the disaggregation of the Level 3 activity, which is effective for interim and annual periods beginning after December 15, 2010. The Endowment adopted ASU 2010-06 during the year ended June 30, 2011.

New accounting standard: In May 2011, the FASB issued Accounting Standards Update No. 2011-04, *Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs* (ASU 2011-04). ASU 2011-04 clarifies existing fair value measurement requirements, changes certain fair value measurement principles, and expands disclosure requirements that will be effective for the fiscal year ending June 30, 2013. Management has not yet determined the impact that ASU 2011-04 will have on the Endowment's financial statements.

Subsequent events: The Endowment evaluated subsequent events through October 11, 2011, which is the date the financial statements were issued.

Note 2. 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 risk-free interest rate, with the amortization of the discount included in contribution revenue.

Contributions past due are individually analyzed for collectability. When all collection efforts have been exhausted, the contribution is written off against bad debt expense. There is no allowance for doubtful accounts, based on management's estimate that all contributions receivable are fully collectible. At June 30, 2011 and 2010, contributions receivable consist of the following:

	2011	2010
Contributions receivable	\$ 6,646,528	\$ 8,994,888
Less discounts	<u>(381,667)</u>	<u>(563,161)</u>
	<u>\$ 6,264,861</u>	<u>\$ 8,431,727</u>
Expected to be collected in less than one year	\$ 5,696,528	\$ 7,094,887
Expected to be collected between two to five years	<u>950,000</u>	<u>1,900,001</u>
	<u>\$ 6,646,528</u>	<u>\$ 8,994,888</u>

Carnegie Endowment for International Peace

Notes to Financial Statements

Note 3. Investments

Investments consist of the following at June 30, 2011 and 2010:

	2011		2010	
	Cost	Market Value	Cost	Market Value
Alternative investments	\$ 168,827,895	\$ 235,593,398	\$ 171,207,954	\$ 204,644,532
Fixed income	18,922,895	19,939,876	21,381,575	22,958,045
Money market funds	4,735,942	5,838,576	5,864,794	5,864,794
	<u>\$ 192,486,732</u>	<u>\$ 261,371,850</u>	<u>\$ 198,454,323</u>	<u>\$ 233,467,371</u>

Investment income for the years ended June 30, 2011 and 2010, consist of the following:

	2011	2010
Unrealized gains	\$ 34,007,970	\$ 29,156,922
Realized gains	9,459,662	5,018,753
Interest and dividends	<u>1,749,110</u>	<u>1,347,582</u>
	45,216,742	35,523,257
Investment income allocation	(11,787,407)	(12,284,829)
Foreign currency exchange gain (loss)	112,539	(849,625)
Investment fees	<u>(867,593)</u>	<u>(211,862)</u>
Investment income (losses) less investment income allocation and investment fees	<u>\$ 32,674,281</u>	<u>\$ 22,176,941</u>

It is the Endowment's policy to make an annual investment allocation for the support of operations. For the years ended June 30, 2011 and 2010, the allocation was 70% of the prior year's draw amount adjusted for inflation, plus 30% of the average market value of the investments during the 90-day period ended June 30, 2009 and 2008, respectively, multiplied by 5%.

Carnegie Endowment for International Peace

Notes to Financial Statements

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. A significant adjustment to a Level 2 input could result in the Level 2 measurement becoming a Level 3 measurement.

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.

Carnegie Endowment for International Peace

Notes to Financial Statements

Note 4. Fair Value Measurements (Continued)

For investments measured at net asset value under the practical expedient for fair value, the Endowment considers the ability to redeem investments at net asset value to determine whether the investment is categorized as a Level 2 or Level 3 investment. Investments that can be redeemed at net asset value at the reporting date or in the near term are categorized as Level 2 investments. Investments that the Endowment will never be able to redeem at net asset value or may not be redeemed in the near term due to the terms of the investment restrictions imposed by the underlying fund are classified as Level 3 investments.

The Endowment's 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 table represents the Endowment's fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis as of June 30, 2011 and 2010:

	2011			
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Fixed income securities:				
Corporate bonds (AAA to A Rated)	\$ 12,042,721	\$ -	\$ 12,042,721	\$ -
Corporate bonds (BBB to B Rated)	2,589,068	-	2,589,068	-
U.S. Government and agency obligations (AAA Rated)	-	-	-	-
Other	3,506,261	-	3,506,261	-
Other	1,801,827	-	1,801,827	-
Total fixed income securities	19,939,877	-	19,939,877	-
Fund of fund:				
Hedge fund multi-strategy	149,975,666	-	149,975,666	-
Private equity multi-strategy	70,755,964	-	-	70,755,964
Total fund of fund	220,731,630	-	149,975,666	70,755,964
Fixed income hedge funds	10,730,198	-	-	10,730,198
Event driven	2,511,600	-	-	2,511,600
	\$ 253,913,305	\$ -	\$ 169,915,543	\$ 83,997,762
Liabilities:				
Interest rate swap agreement	\$ 5,554,757	\$ -	\$ 5,554,757	\$ -

Carnegie Endowment for International Peace

Notes to Financial Statements

Note 4. Fair Value Measurements (Continued)

	2010			
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Fixed income securities	\$ 22,958,045	\$ -	\$ 22,958,045	\$ -
Fixed income hedge funds	11,949,733	-	-	11,949,733
Event driven	2,049,600	-	-	2,049,600
Fund of fund hedge fund multi-strategy	138,048,985	-	138,048,985	-
Fund of fund private equity multi-strategy	49,719,293	-	-	49,719,293
	<u>\$ 224,725,656</u>	<u>\$ -</u>	<u>\$ 161,007,030</u>	<u>\$ 63,718,626</u>
Liabilities:				
Interest rate swap agreement	<u>\$ 7,124,666</u>	<u>\$ -</u>	<u>\$ 7,124,666</u>	<u>\$ -</u>

Financial instruments classified as Level 3 in the fair value hierarchy represent the Endowment's investments in financial instruments in which the management has used at least one significant unobservable input in the valuation model and may be liquidated in the long term.

Real estate funds of \$2,722,622 and \$2,876,921 as of June 30, 2011 and 2010, respectively, represent real estate partnerships and are recorded at cost; therefore, they are not included in the above schedules.

The following table presents a reconciliation of activity for the Level 3 financial instruments:

	2011				
	Fixed Income Hedge Funds	Event Driven	Fund of Fund Private Equity Multi-Strategy	Fund of Fund Hedge Fund Multi-Strategy	Total
Beginning balance at July 1, 2010	\$ 11,949,733	\$ 2,049,600	\$ 49,719,293	\$ -	\$ 63,718,626
Return on investments	1,180,465	582,000	13,425,655	-	15,188,120
Purchases	-	-	14,827,198	-	14,827,198
Sales	(2,400,000)	(120,000)	(7,216,182)	-	(9,736,182)
Ending balance at June 30, 2011	<u>\$ 10,730,198</u>	<u>\$ 2,511,600</u>	<u>\$ 70,755,964</u>	<u>\$ -</u>	<u>\$ 83,997,762</u>

	2010				
	Fixed Income Hedge Funds	Event Driven	Fund of Fund Private Equity Multi-Strategy	Fund of Fund Hedge Fund Multi-Strategy	Total
Beginning balance at July 1, 2009	\$ 9,763,996	\$ 1,959,900	\$ 35,388,003	\$ 133,633,778	\$ 180,745,677
Return on investments	2,185,737	89,700	8,913,963	-	11,189,400
Purchases	-	-	12,982,863	-	12,982,863
Sales	-	-	(7,565,536)	-	(7,565,536)
Transfers out of Level 3	-	-	-	(133,633,778)	(133,633,778)
Ending balance at June 30, 2010	<u>\$ 11,949,733</u>	<u>\$ 2,049,600</u>	<u>\$ 49,719,293</u>	<u>\$ -</u>	<u>\$ 63,718,626</u>

Carnegie Endowment for International Peace

Notes to Financial Statements

Note 4. Fair Value Measurements (Continued)

The following table provides 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:

Investments	Fair Value	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Notice Period
Event driven (a)	\$ 2,511,600	\$ -	Five-year lock-up	90 days
Fund of fund private equity multi-strategy (b)	70,755,964	40,382,209	Annually-unavailable	180 days-N/A
Fund of fund hedge fund multi-strategy (c)	149,975,666	-	Quarterly-daily	120 days-10 days
Fixed income hedge funds (d)	10,730,198	-	Three-year lock-up with 1/3 installments on the 3rd, 4th, and 5th anniversary	90 days
Total	<u>\$ 233,973,428</u>	<u>\$ 40,382,209</u>		

(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.

(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 81% of the value of the investments in this category have no redemptions. Investments representing 17% of the value of the investments have annual redemptions with 180 days notice. The remaining investments in this category, approximately 2%, expire on December 31, 2015, with five one-year extensions.

(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 48% of the value of the investments in this category have monthly redemptions with 100 days notice. Investments representing 3% of the value of the investments have daily redemptions with ten days notice. Investments representing 10% of the value of the investments in this category have quarterly redemptions with 120 days notice. The remaining investments in this category, approximately 39%, have quarterly redemptions with 90 days notice.

Carnegie Endowment for International Peace

Notes to Financial Statements

Note 4. Fair Value Measurements (Continued)

(d) This category includes hedge funds that invest in fixed income and currency markets. Managers have the flexibility to invest in investments 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 lock-up with one-third installments on the third, fourth, and fifth anniversary with a 90-day notice period.

Note 5. Property and Equipment

Property and equipment and accumulated depreciation as of June 30, 2011 and 2010, and depreciation expense for the years then ended, are as follows:

Asset Category	Estimated Lives	2011			
		Cost	Accumulated Depreciation	Net	Depreciation Expense
Building	60 years	\$ 24,286,728	\$ 5,623,565	\$ 18,663,163	\$ 447,881
Furniture and equipment	3-10 years	3,073,935	2,356,236	717,699	279,350
Land		6,374,592	-	6,374,592	-
		<u>\$ 33,735,255</u>	<u>\$ 7,979,801</u>	<u>\$ 25,755,454</u>	<u>\$ 727,231</u>

Asset Category	Estimated Lives	2010			
		Cost	Accumulated Depreciation	Net	Depreciation Expense
Building	60 years	\$ 24,120,804	\$ 5,175,683	\$ 18,945,121	\$ 425,909
Furniture and equipment	3-10 years	2,787,865	2,153,684	634,181	253,256
Land		6,374,592	-	6,374,592	-
		<u>\$ 33,283,261</u>	<u>\$ 7,329,367</u>	<u>\$ 25,953,894</u>	<u>\$ 679,165</u>

Note 6. Note Payable

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%. The agreement expires on December 1, 2018. Interest expense relating to the promissory note totaled \$268,322 and \$281,900 for the years ended June 30, 2011 and 2010, respectively.

Carnegie Endowment for International Peace

Notes to Financial Statements

Note 6. Note Payable (Continued)

Future minimum principal payments on this promissory note at June 30, 2011, are as follows:

Years ending June 30,	
2012	\$ 264,359
2013	279,349
2014	297,924
2015	315,396
2016	332,826
Thereafter	3,213,391
Total	<u>\$ 4,703,245</u>

Note 7. Bonds Payable

On May 10, 2006, the Endowment 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 at the request of 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%. Legal, accounting, consulting, printing costs, and other expenses associated with the 2006 bond issue amounted to \$942,254 and are being amortized using the straight-line method over the term of the bonds. The bonds are secured with a letter of credit. The total of the letter of credit is \$33,621,672, with an outstanding balance of zero at June 30, 2011 and 2010.

In anticipation of refinancing the 1996 bonds, the Endowment executed an interest rate swap agreement on March 22, 2005 (See Note 8), amended on July 7, 2005, and on May 2, 2006. Under the amended agreement, the notional principal amount is \$33,250,000 and the fixed rate is 3.751%. Interest expense related to the 2006 bonds totaled \$1,446,777 and \$1,508,620 for the years ended June 30, 2011 and 2010, respectively. The rate in effect at June 30, 2011 and 2010, was 3.75%.

Carnegie Endowment for International Peace

Notes to Financial Statements

Note 7. Bonds Payable (Continued)

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. Additional legal, accounting, consulting, printing costs, and other expenses associated with the 2008 conversion amounted to \$262,350 and are amortized using the straight-line method over the remaining term of the bonds. Amortization expense totaled \$22,989 and \$20,006 for the years ended June 30, 2011 and 2010, respectively, and accumulated amortization at June 30, 2011 and 2010, totaled \$520,005 and \$497,016, respectively. The 2006 bonds contain a number of restrictive covenants.

Future minimum principal payments on the 2006 bonds at June 30, 2011, are as follows:

Years ending June 30,	
2012	\$ -
2013	-
2014	-
2015	-
2016	-
Thereafter	33,250,000
Total	<u>\$ 33,250,000</u>

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 swap agreement. However, the Endowment does not anticipate non-performance by the counter party.

During the year ended June 30, 2011, the Endowment paid out \$1,247,207 on the swap and received \$159,564 from Morgan Stanley on the swap, with the net of \$1,087,643 included in the 2006 bond interest expense. During the year ended June 30, 2010, the Endowment paid out \$1,247,207 on the swap and received \$164,461 from Morgan Stanley on the swap, with the net of \$1,082,746 included in the 2006 bond interest expense. At June 30, 2011 and 2010, a liability of \$4,908,841 and \$6,392,811, respectively, was recognized as the fair value of the interest rate swap agreements.

Carnegie Endowment for International Peace

Notes to Financial Statements

Note 9. Lease Commitments

The Endowment has renewed its non-cancelable lease for a one-year period expiring on April 30, 2012, for office space for its operations in Moscow. The terms of the lease are 23,000 rubles (or \$711) per square meter, with the Endowment renting 675 square meters.

The Endowment has a non-cancelable lease expiring on December 31, 2012, for office space for its operations in Beirut. The terms of the lease are \$190 per square meter per year, with the Endowment renting 687 square meters. The lease can be renewed for two additional three-year terms, with a 12% increase in rent for each renewal period.

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 \$88,857) per year, adjusted annually for cost of living index, with the Endowment renting 574 square meters.

Rent expense under these operating leases for the years ended June 30, 2011 and 2010, totaled \$729,447 and \$655,545, respectively. Future minimum lease payments relating to these non-cancelable leases totaled \$1,385,383 at June 30, 2011, as follows:

Years ending June 30,	
2012	\$ 686,978
2013	160,236
2014	94,971
2015	94,971
2016	94,971
2017	94,971
2018	94,971
2019	63,314
Total	<u>\$ 1,385,383</u>

Carnegie Endowment for International Peace

Notes to Financial Statements

Note 10. Leasing Arrangements as Lessor

The Endowment receives rental income from leasing approximately 40,000 square feet of space to ten tenants in its headquarters building in Washington, D.C. The tenants pay the Endowment a base rent and a percentage of the operating costs of the building. Individual tenants' square footage leased ranges from 483 square feet up to 8,331 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 three to ten years, with current lease terms of individual tenants up for renewal varying from July 31, 2012, to December 31, 2016. Rental income under these leases was \$1,653,982 and \$1,450,669 for the years ended June 30, 2011 and 2010, respectively.

Future minimum rental payments to be received at June 30, 2011, are as follows:

Years ending June 30,	
2012	\$ 923,420
2013	808,146
2014	538,584
2015	364,743
2016	116,520
2017	58,260
Total	<u>\$ 2,809,673</u>

Note 11. Retirement Plans

The Endowment has a defined contribution pension plan (the Plan) for all qualified employees. The Endowment contributes to the Plan 15% of each covered employee's salary, up to statutory limits. 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 \$874,423 and \$835,663 for the years ended June 30, 2011 and 2010, respectively.

Note 12. Related Party Transactions

During the years ended June 30, 2011 and 2010, Trustees of the Endowment gave temporarily restricted contributions of \$433,214 and \$512,250, respectively, to support the Endowment's operations. The Endowment entered into a consulting agreement with a Trustee for a two-year term and paid \$48,750 for services rendered during the year ended June 30, 2010. The Trustee's term on the Board ended in May 2010.

Carnegie Endowment for International Peace

Notes to Financial Statements

Note 13. Restricted Net Assets

Temporarily restricted net assets consist of the following at June 30, 2011. Net assets were released from restriction by satisfying the program restrictions.

	2011				Ending Balance
	Beginning Balance	Additions	Released from Restriction	Effect of NYPMIFA	
The Endowment's Programs	<u>\$ 23,536,794</u>	<u>\$ 9,644,032</u>	<u>\$ (12,137,066)</u>	<u>\$ 221,057,619</u>	<u>\$ 242,101,379</u>

	2010			
	Beginning Balance	Additions	Released from Restriction	Ending Balance
The Endowment's Programs	<u>\$ 24,785,370</u>	<u>\$ 8,845,540</u>	<u>\$ (10,094,116)</u>	<u>\$ 23,536,794</u>

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

Permanently restricted net assets consist of the following at June 30, 2011:

Original Endowment	\$ 10,000,000
Mellon Jr. Fellows Program	500,000
	<u>\$ 10,500,000</u>

Note 14. Endowments

On September 17, 2010, the state of New York enacted the Uniform Prudent Management of Institutional Funds Act (UPMIFA). The Endowment is subject to the enacted version of New York UPMIFA (NYPMIFA). The Board of Trustees has interpreted NYPMIFA 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 NYPMIFA.

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 had been reported as unrestricted net assets. As a result of the adoption of NYPMIFA, the Endowment has reclassified \$221,057,619 of accumulated income from unrestricted net assets to temporarily restricted net assets.

Carnegie Endowment for International Peace

Notes to Financial Statements

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 appropriation from the Endowment 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 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

Carnegie's endowment funds consist of the following as of June 30, 2011:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ -	\$ 221,256,109	\$ 10,500,000	\$ 231,756,109

Carnegie's endowment funds consisted of the following as of June 30, 2010:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ -	\$ 85,000	\$ 10,500,000	\$ 10,585,000
Board designated endowment funds	190,247,479	-	-	190,247,479
	<u>\$ 190,247,479</u>	<u>\$ 85,000</u>	<u>\$ 10,500,000</u>	<u>\$ 200,832,479</u>

Carnegie Endowment for International Peace

Notes to Financial Statements

Note 14. Endowments (Continued)

Endowment fund activity for the year ended June 30, 2011, consists of the following:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 190,247,479	\$ 85,000	\$ 10,500,000	\$ 200,832,479
Investment return:				
Interest and dividends	1,635,620	113,490	-	1,749,110
Realized and unrealized gain on investments	40,561,184	-	-	40,561,184
Amounts appropriated for expenditure	(13,715,142)	-	-	(13,715,142)
Contributions and other income	2,328,478	-	-	2,328,478
Effect of NYPMIFA	(221,057,619)	221,057,619	-	-
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 221,256,109</u>	<u>\$ 10,500,000</u>	<u>\$ 231,756,109</u>

Endowment fund activity for the year ended June 30, 2010, consisted of the following:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 170,735,174	\$ -	\$ 10,500,000	\$ 181,235,174
Investment return:				
Interest and dividends	1,347,582	85,000	-	1,432,582
Realized and unrealized gain on investments	31,975,121	-	-	31,975,121
Amounts appropriated for expenditure	(16,308,108)	-	-	(16,308,108)
Contributions and other income	2,497,710	-	-	2,497,710
Endowment net assets, end of year	<u>\$ 190,247,479</u>	<u>\$ 85,000</u>	<u>\$ 10,500,000</u>	<u>\$ 200,832,479</u>