

**CENTER FOR INTERNATIONAL POLICY, INC.**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2010**

CENTER FOR INTERNATIONAL POLICY, INC.  
FINANCIAL STATEMENTS  
DECEMBER 31, 2010

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CERTIFIED PUBLIC ACCOUNTANTS

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June 20, 2011

Board of Directors  
Center for International Policy, Inc.  
1717 Massachusetts Avenue, N.W.  
Suite 801  
Washington, D.C. 20036

## Independent Auditors' Report

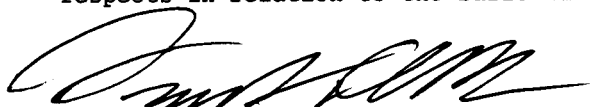
Dear Board Members:

We have audited the accompanying statement of financial position of Center for International Policy, Inc. (a nonprofit organization) as of December 31, 2010 and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit 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 audit provides 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 Center for International Policy, Inc. as of December 31, 2010 and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedule of functional expenses on Exhibit D is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Friedman & Associates, P.C.  
Certified Public Accountants

CENTER FOR INTERNATIONAL POLICY, INC.  
STATEMENT OF FINANCIAL POSITION  
DECEMBER 31, 2010

ASSETSCURRENT ASSETS

Cash and Cash Equivalents	\$ 1,183,483	
Investments (Note 5) (Note 10)	143,098	
Grants and Contributions Receivable	395,227	
Prepaid Expenses	<u>17,261</u>	
Total Current Assets		\$ 1,739,069

FIXED ASSETS (Note 1)

Furniture and Equipment	\$ 148,069	
Software	8,540	
Leasehold Improvements	8,107	
Less: Accumulated Depreciation	( <u>105,507</u> )	
Net Fixed Assets		59,209

OTHER ASSETS

Deposits	\$ <u>16,165</u>	
Total Other Assets		<u>16,165</u>

TOTAL ASSETS\$ 1,814,443LIABILITIES AND NET ASSETSCURRENT LIABILITIES

Accounts Payable and Accrued Expenses	\$ <u>283,019</u>	
Total Current Liabilities		\$ <u>283,019</u>

TOTAL LIABILITIES

\$ 283,019

COMMITMENTS (Note 3)NET ASSETS

Unrestricted	\$ 23,601	
Temporarily Restricted (Note 4)	<u>1,507,823</u>	
<u>TOTAL NET ASSETS</u>		\$ <u>1,531,424</u>

TOTAL LIABILITIES AND NET ASSETS\$ 1,814,443

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

CENTER FOR INTERNATIONAL POLICY, INC.  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2010

<u>SUPPORT AND REVENUE</u>	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>TOTAL</u>
Grants and Contributions	\$ 265,236	\$ 3,424,046	\$ 3,689,282
Contract Services and Fees	-	80,158	80,158
Interest and Dividends	655	5,267	5,922
Realized Gain / (Loss) on Investment (Note 5)	( 176)	-	( 176)
Other Income	1,062	-	1,062
Net assets released from restrictions: Restrictions satisfied by payments	<u>4,168,153</u>	( <u>4,168,153</u> )	<u>-</u>
<u>TOTAL SUPPORT AND REVENUE</u>	<u>\$ 4,434,930</u>	( <u>\$ 658,682</u> )	<u>\$ 3,776,248</u>
<u>EXPENSES</u> (Exhibit D)			
Program	\$ 4,220,247	\$ -	\$ 4,220,247
Administration	236,949	-	236,949
Fund Raising	<u>135,030</u>	<u>-</u>	<u>135,030</u>
<u>TOTAL EXPENSES</u>	<u>\$ 4,592,226</u>	<u>\$ -</u>	<u>\$ 4,592,226</u>
<u>CHANGE IN NET ASSETS</u>	( \$ 157,296)	( \$ 658,682)	( \$ 815,978)
<u>NET ASSETS AT BEGINNING OF YEAR</u>	<u>\$ 180,897</u>	<u>\$ 2,166,505</u>	<u>\$ 2,347,402</u>
<u>NET ASSETS AT END OF YEAR</u>	<u>\$ 23,601</u>	<u>\$ 1,507,823</u>	<u>\$ 1,531,424</u>

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

CENTER FOR INTERNATIONAL POLICY, INC.  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2010

<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
(Decrease) in Net Assets		(\$ 815,978)
Adjustments to Reconcile Increase in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	\$ 22,096	
Realized (Gain) Loss on Investments	176	
Changes in Assets and Liabilities:		
Decrease in Grants and Contributions Receivable	\$ 183,133	
Decrease in Other Receivables	7,640	
Decrease in Prepaid Expenses	5,596	
Increase in Accounts Payable and Accrued Expenses	<u>87,226</u>	
Total Adjustments		\$ <u>305,867</u>
Net Cash Used by Operating Activities		(\$ 510,111)
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Purchase of Furniture and Equipment	(\$ 36,155)	
Interest and Dividends Reinvested	( 742)	
Proceeds from Sale of Investments	<u>50,467</u>	
Net Cash Provided by Investing Activities		\$ <u>13,570</u>
<u>NET (DECREASE) IN CASH AND CASH EQUIVALENTS</u>		(\$ <u>496,541</u> )
<u>CASH AND CASH EQUIVALENTS - BEGINNING</u>		\$ <u>1,680,024</u>
<u>CASH AND CASH EQUIVALENTS - ENDING</u>		\$ <u>1,183,483</u>
<u>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION</u>		
Interest Paid		\$ <u>          -</u>

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

CENTER FOR INTERNATIONAL POLICY, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2010

NOTE 1-SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES AND FINANCIAL POLICIES

ORGANIZATION:

The Center for International Policy, Inc. (the Center) was founded in 1975, in the wake of the Vietnam War, by former diplomats and peace activists. The Center is a not-for-profit organization that was formally incorporated on February 27, 1985 and amended on May 25, 1989 under the District of Columbia Nonprofit Corporation Act. The Center is exempt from income taxes under Section 501 (c)(3) of the Internal Revenue Code as reaffirmed in a letter dated May 11, 1990. The tax exemption in the District of Columbia was approved on July 16, 1990.

The Center's mission is to promote a United States foreign policy based on international cooperation, demilitarization, and respect for basic human rights. In 1990, the Center attracted a number of senior diplomats to its staff and expanded its agenda to include reform of the nation's intelligence agencies. The Center continued to play an important role in the effort to end the counter-productive isolation of Cuba, and efforts to limit military assistance to the Western Hemisphere, especially Colombia.

This work continues today, along with a robust program on nuclear proliferation in south and east Asia, new cutting-edge work on illegal financial flows, and an effort to promote environmental protection and increase citizen participation in Central America.

BASIS OF PRESENTATION:

Financial statement presentation complies with FASB ASC 958-205. Under FASB ASC 958, the Organization 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. In addition, the Organization is required to present a statement of cash flows.

There are no permanently restricted net assets at December 31, 2010.

CONTRIBUTIONS:

In accordance with FASB ASC 958, Accounting for Contributions Received and Contributions Made, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily assets. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets. Donated materials and equipment are recorded at their fair market value.

CENTER FOR INTERNATIONAL POLICY, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2010

NOTE 1-SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES AND FINANCIAL POLICIES  
(CONTINUED)

METHOD OF ACCOUNTING:

The accompanying financial statements have been prepared in accordance with generally accepted accounting principles for not-for-profit organizations. They are stated on the accrual basis and include all material receivables and payables.

FIXED ASSETS:

Furniture and equipment and leasehold improvements are recorded at cost. Depreciation is provided on a straight-line basis over an estimated useful life of three to seven years. Items costing less than \$100 are charged to expense when acquired.

STATEMENT OF CASH FLOWS

Cash and cash equivalents represent cash and short-term investments with original maturities of three months or less.

USE OF ESTIMATES

Management uses estimates and assumptions in preparing financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates which were assumed in preparing the financial statements.

INCOME TAXES

The Center is exempt from federal income taxes on related income under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made in the accompanying financial statements.

NOTE 2 - PROGRAM

The Center's mission is to promote a United States foreign policy based on international cooperation, demilitarization, and respect for basic human rights. Our programs seek to limit United States military assistance to Latin America, especially Colombia; to end the decades-old embargo on Cuba; to adopt a more pragmatic and diplomatic approach to the nuclear threat on the Korean peninsula; to document and limit illegal financial flows worldwide; to mobilize public and private funds to preserve tropical forests as the most cost-effective way to slow global warming; to complete the drawdown of all U.S. troops from Iraq and begin to withdraw U.S. forces from Afghanistan; and to reform the United State's intelligence community to prevent future intelligence failures.

CENTER FOR INTERNATIONAL POLICY, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2010

NOTE 3 - RENTAL EXPENSE AND COMMITMENT

At December 31, 2010, the Center was obligated under lease agreements for office spaces in Washington, DC. The total future obligations on the office leases in effect are as follows:

Year ended December 31, 2011	\$ 211,619
Year ended December 31, 2012	192,991
Period ended August 12, 2013	<u>120,059</u>
Total	<u>\$ 524,669</u>

The Center's office lease for Washington, DC commenced on August 12, 2002 with an escalation rate of 2.25% per year and originally expired on August 12, 2010. This lease was amended on July 25, 2006 to reflect an expansion of the leased premises as well as extension of the lease term to expire on August 11, 2013.

The office space rental charged against income for the year ended December 31, 2010 totaled \$241,989.

At December 31, 2010, the Center was also obligated under a lease agreement for a Canon copier. The minimum rental payments over the life of the lease are as follows:

Year ended December 31, 2011	\$ 4,116
Year ended December 31, 2012	4,116
Year ended December 31, 2013	4,116
Period ended June 23, 2014	<u>2,058</u>
Total	<u>\$ 14,406</u>

NOTE 4 - TEMPORARILY RESTRICTED NET ASSETS

The Center has temporarily restricted net assets at December 31, 2010 totaling \$1,507,823. The components are as follows:

Cuba Project	\$ 131,144
FORO Project	2,527
Win Without War	30,641
Nicole Ball	4,171
Urbanist International	2,510
AD Partners	439,295
Transborder Project	159,947
Latin America Security Program	149,775
Global Financial Integrity	581,768
Americas Policy Program	<u>6,045</u>
Total	<u>\$1,507,823</u>

CENTER FOR INTERNATIONAL POLICY, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2010

NOTE 5 - INVESTMENTS

The Center's investments at December 31, 2010 are recorded at fair market value and consist of the following:

	<u>Cost/ Basis</u>	<u>Fair Market Value</u>	<u>Realized Gain/ (Loss)</u>	<u>Unrealized Gain/ (Loss)</u>
Certificate of Deposit	\$ <u>143,098</u>	\$ <u>143,098</u>	\$ <u>-</u>	\$ <u>-</u>
Total	\$ <u>143,098</u>	\$ <u>143,098</u>	\$ <u>-</u>	\$ <u>-</u>

NOTE 6 - EXPENSE ALLOCATION

The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities and in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

NOTE 7 - EMPLOYEE RETIREMENT PLANS

The Center provides full-time employees with a tax-sheltered annuity. Employees may deposit any amount up to a maximum of 20% of their salary on an annual basis or \$16,500, whichever is less.

The Center also provides full-time employees who have successfully completed two years of service with the Center with a simplified employee pension plan. The Center contributes to the plan, as a match, 6% of the employee's salary. Under this plan, the Center has the right to increase contributions or to withhold contributions if the Center is under financial constraints. The contribution for the year ended December 31, 2010 was \$38,844.

NOTE 8 - CONCENTRATION OF CREDIT RISK

The Center maintains several bank accounts. Accounts at an institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. The cash balance at two of the institutions exceeded federally insured limits. The amount in excess of the FDIC limit totaled \$683,483 as of December 31, 2010.

NOTE 9 - CONCENTRATIONS

The Center receives 98% of its income from grants and contributions.

CENTER FOR INTERNATIONAL POLICY, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2010

NOTE 10 – FAIR VALUE MEASUREMENTS

The Center adopted FASB ASC 820-10, as amended. The effective date of FASB ASC 820-10 with respect to the fair value measurement and disclosure of financial assets and liabilities, except those that are recognized or disclosed at fair value in the financial statements on a recurring basis, is January 1, 2009. FASB ASC 820-10 defines fair value, establishes a framework for measuring fair value under generally accepted accounting principles and enhances disclosures about fair value measurements. Fair value is defined under FASB ASC 820-10 as the exchange price that would be received for an asset or paid to transfer a liability (“an exit price”) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Valuation techniques used to measure fair value under FASB ASC 820-10 must maximize the use of observable inputs and minimize the use of unobservable inputs. The standard describes a fair value hierarchy based on three levels of inputs, of which the first two are considered observable and the last unobservable, that may be used to measure fair value.

The Center has time deposit financial instruments that must be measured under the new fair value standard. The Organization currently does not have notes receivable, nonfinancial assets, or nonfinancial liabilities that are required to be measured at fair value on a recurring basis. The Organization’s financial assets are measured using inputs from the Level 1 fair value hierarchy as described as follows:

Level 1:

Inputs are unadjusted quoted prices in active markets for identical assets or liabilities that the Organization has the ability to access at the measurement date.

The fair values of the Center’s assets measured on a recurring basis at December 31, 2010 are as follows:

	<u>Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>
Certificate of Deposit	\$ <u>143,098</u>	\$ <u>143,098</u>
Total	\$ <u>143,098</u>	\$ <u>143,098</u>

The fair values of the Center’s investments are determined by reference to quoted market prices and other relevant information generated by market transactions.

CENTER FOR INTERNATIONAL POLICY, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2010

NOTE 11 -- SUBSEQUENT EVENTS

Subsequent events are identified as events or transactions that occur after the statement of financial position date through the date the financial statements are available to be issued. Management has performed an evaluation as of June 20, 2010, the date the financial statements were available to be issued, that there are no subsequent events requiring disclosure that have not been properly disclosed.

PENDING OR THREATENED LITIGATION

On January 27, 2011 the organization received a demand letter from legal counsel for PETRONAS, an oil and gas company owned by the government of Malaysia. This letter demanded retraction and correction of an allegedly defamatory statement about PETRONAS contained in a recent Center for International Policy, Inc. publication. PETRONAS asserted its "right to seek further remedies" if the statement it was not retracted.

The Organization has vigorously defended itself against the allegations. By letter dated March 3, 2011, counsel for the Center for International Policy, Inc. rejected PETRONAS' demand for a retraction and disagreed with PETRONAS' characterization of the statement at issue providing PETRONAS with citations to additional media coverage supporting the statement.

PETRONAS reiterated its demand for retraction by letter dated April 6, 2011. No further communication has been received at June 20, 2011.

NOTE 12 -- INCOME TAXES

In June 2006, the Financial Accounting Standards Board (FASB) released FASB ASC 740-10, Income Taxes, that provides guidance for reporting uncertainty in income taxes. For the year ended December 31, 2010, the Center has documented its consideration of FASB ASC 740-10 and determined that no material uncertain tax positions qualify for either recognition or disclosure in the financial statements.

NOTE 13 -- REQUIREMENT TO HOLD CASH IN SEPARATE ACCOUNTS

The organization holds cash received from NORAD in a separate bank as required by NORAD.

**OTHER FINANCIAL INFORMATION**

CENTER FOR INTERNATIONAL POLICY, INC.  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2010

	<u>PROGRAM</u>	<u>MANAGEMENT AND GENERAL</u>	<u>FUND RAISING</u>	<u>TOTAL</u>
<u>EXPENSES</u>				
Salaries	\$ 1,639,278	\$ 143,822	\$ 84,956	\$ 1,868,056
Payroll Taxes	117,708	12,426	6,339	136,473
Employee Health and Dental Benefits	74,474	8,699	5,314	88,487
Pension Contributions (Note 7)	<u>27,885</u>	<u>6,100</u>	<u>4,859</u>	<u>38,844</u>
 Total Salaries and Employee Benefits	 \$ 1,859,345	 \$ 171,047	 \$ 101,468	 \$ 2,131,860
 Accounting	 \$ 15,500	 \$ 18,050	 \$ -	 33,550
Advertising	151,529	-	-	151,529
Bank Charges	2,621	936	-	3,557
Consultants	663,301	15,591	1,000	679,892
Contributions to Organizations	390,751	-	-	390,751
Courier Services	7,521	429	226	8,176
Depreciation (Note 1)	-	22,096	-	22,096
Equipment Rental	5,070	1,942	729	7,741
Insurance	2,746	13,896	356	16,998
Legal Fees	539	690	-	1,229
Meetings and Conferences	265,161	2,654	3,222	271,037
Office Supplies and Expenses	35,631	1,708	1,061	38,400
Postage	3,600	1,583	1,712	6,895
Printing and Publications	50,906	630	3,159	54,695
Rent (Note 3)	148,281	83,043	10,665	241,989
Repairs & Maintenance	10,945	903	-	11,848
Subscriptions, Resources & Media	122,599	3,200	3,041	128,840
Telephone and Internet	49,520	8,020	2,452	59,992
Travel, Entertainment and Food	324,715	187	5,939	330,841
Visitor Travel	<u>310</u>	<u>-</u>	<u>-</u>	<u>310</u>
 <u>TOTAL EXPENSES BEFORE INDIRECT COST RECOVERY</u> (Exhibit B)	 \$ 4,110,591	 \$ 346,605	 \$ 135,030	 \$ 4,592,226
 Indirect Cost Recovery	 \$ 109,656	 (\$ 109,656)	 \$ -	 \$ -
 <u>TOTAL EXPENSES</u>	 \$ <u>4,220,247</u>	 \$ <u>236,949</u>	 \$ <u>135,030</u>	 \$ <u>4,592,226</u>

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