The Urban Institute

Financial Statements
Years Ended December 31, 2018 and 2017

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The Urban Institute

Contents

Independent Auditor's Report	1-2
Financial Statements	
Statements of Financial Position	3
Statements of Activities and Change in Net Assets	4-5
Statements of Cash Flows	6
Statement of Functional Expenses	7
Notes to the Financial Statements	8-27

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Independent Auditor's Report

Board of Trustees
The Urban Institute
Washington, D.C.

Report on the Financial Statements

We have audited the accompanying financial statements of The Urban Institute (the Institute), which comprise the statements of financial position as of December 31, 2018 and 2017, and the related statements of activities and change in net assets 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 The Urban Institute as of December 31, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

BDO USA, LLP

McLean, Virginia
June 26, 2019

Financial Statements

The Urban Institute

Statements of Financial Position

December 31,	2018	2017
Assets		
Cash and cash equivalents	$ 17,133,175	$ 8,873,111
Endowment-related cash and cash equivalents	3,927,631	3,465,807
Accounts receivable, net	15,069,569	21,013,046
Contributions receivable, net	11,106,153	18,886,729
Prepaid expenses and other assets	1,218,612	1,015,240
Property and equipment, net	6,719,177	4,718,614
Long-term investments	114,669,610	121,705,208
Total assets	$169,843,927	$179,677,755
Liabilities and Net Assets		
Liabilities		
Accounts payable	$ 3,689,965	$ 3,691,361
Accrued payroll	2,251,981	1,983,031
Accrued paid time off	3,040,547	2,918,994
Other accrued expenses	321,818	381,258
Deferred revenue	13,344,402	11,139,564
Deferred rent	393,893	1,517,306
Total liabilities	23,042,606	21,631,514
Commitments and contingencies		
Net assets		
Without donor restrictions	115,928,103	124,192,932
With donor restrictions	30,873,218	33,853,309
Total net assets	146,801,321	158,046,241
Total liabilities and net assets	$169,843,927	$179,677,755

See accompanying notes to the financial statements.

The Urban Institute

Statement of Activities and Change in Net Assets

Year Ended December 31, 2018	Without Donor Restrictions	With Donor Restrictions	Total
Operating activities			
Operating revenues			
Contract amounts earned	$ 35,943,071	$ -	$ 35,943,071
Program and project grants	28,408,434	17,136,212	45,544,646
General support grants and contributions	2,926,326	312,500	3,238,826
Publication income	25,574	-	25,574
Investment return designated for operations	5,207,522	-	5,207,522
Other income	28,722	-	28,722
	72,539,649	17,448,712	89,988,361
Net assets released from restrictions	20,213,503	(20,213,503)	-
Total operating revenues	92,753,152	(2,764,791)	89,988,361
Operating expenses			
Research expenses			
Incurred under contracts	33,715,948	-	33,715,948
Incurred under grants	29,710,393	-	29,710,393
Incurred for other research	22,872,285	-	22,872,285
Total program costs	86,298,626	-	86,298,626
Development	791,176	-	791,176
Publication and public affairs costs	172,809	- -	172,809
Other costs	3,016,594	-	3,016,594
Total operating expenses	90,279,205	-	90,279,205
Change in net assets from operations	2,473,947	(2,764,791)	(290,844)
Non-operating activities			
Investment return, net	(5,531,254)	(248,712)	(5,779,966)
Investment income allocation	(5,207,522)	-	(5,207,522)
Contributions received	-	33,412	33,412
Total non-operating activities	(10,738,776)	(215,300)	(10,954,076)
Change in net assets	(8,264,829)	(2,980,091)	(11,244,920)
Net assets at the beginning of the year	124,192,932	33,853,309	158,046,241
Net assets at the end of the year	$ 115,928,103	$ 30,873,218	$ 146,801,321

See accompanying notes to the financial statements.

The Urban Institute

Statement of Activities and Change in Net Assets

Year Ended December 31, 2017	Without Donor Restrictions	With Donor Restrictions	Total
Operating activities			
Operating revenues			
Contract amounts earned	$ 35,394,372	$ -	$ 35,394,372
Program and project grants	31,298,044	13,958,146	45,256,190
General support grants and contributions	1,588,491	56,024	1,644,515
Publication income	41,695	-	41,695
Investment return designated for operations	5,052,045	-	5,052,045
Other income	23,641	-	23,641
	73,398,288	14,014,170	87,412,458
Net assets released from restrictions	19,035,790	(19,035,790)	-
Total operating revenues	92,434,078	(5,021,620)	87,412,458
Operating expenses			
Research expenses			
Incurred under contracts	33,630,149	-	33,630,149
Incurred under grants	31,797,949	-	31,797,949
Incurred for other research	20,415,647	-	20,415,647
Total program costs	85,843,745	-	85,843,745
Development	790,224	-	790,224
Publication and public affairs costs	80,542	-	80,542
Other costs	5,673,120	-	5,673,120
Total operating expenses	92,387,631	-	92,387,631
Change in net assets from operations	46,447	(5,021,620)	(4,975,173)
Non-operating activities			
Investment return, net	16,247,764	652,536	16,900,300
Investment income allocation	(5,052,045)	-	(5,052,045)
Contributions received	-	11,892	11,892
Total non-operating activities	11,195,719	664,428	11,860,147
Change in net assets	11,242,166	(4,357,192)	6,884,974
Net assets at the beginning of the year	112,950,766	38,210,501	151,161,267
Net assets at the end of the year	$ 124,192,932	$ 33,853,309	$ 158,046,241

See accompanying notes to the financial statements.

The Urban Institute

Statements of Cash Flows

Years Ended December 31,	2018	2017
Cash flows from operating activities:		
Change in net assets	$ (11,244,920)	$ 6,884,974
Adjustments to reconcile change in net assets to net cash and cash equivalents provided by (used in) operating activities:		
Change in contributions receivable discount	2,186	(194,062)
Realized/unrealized loss (gain) on long-term investments	7,020,192	(15,818,902)
Depreciation and amortization	1,448,353	1,391,686
Changes in operating assets and liabilities:		
Accounts receivable	5,943,477	(2,086,234)
Contributions receivable	7,778,390	7,577,242
Prepaid expenses	(203,372)	(133,449)
Accounts payable	(1,396)	137,091
Accrued payroll	268,950	596,347
Accrued paid time off	121,553	251,658
Other accrued expenses	(59,440)	210,959
Deferred revenue	2,204,838	(937,232)
Deferred rent	(1,123,413)	(951,919)
Total adjustments	23,400,318	(9,956,815)
Net cash provided by (used in) operating activities	12,155,398	(3,071,841)
Cash flows from investing activities:		
Purchases of property and equipment	(3,448,916)	(1,601,096)
Purchases of investments	(11,805,409)	(17,395,888)
Sales of investments	11,820,815	22,752,815
Net cash (used in) provided by investing activities	(3,433,510)	3,755,831
Net increase in cash and cash equivalents	8,721,888	683,990
Cash and cash equivalents, beginning of the year	12,338,918	11,654,928
Cash and cash equivalents, end of the year	$ 21,060,806	$ 12,338,918
Reconciliation of cash and cash equivalents to statements of financial position:		
Cash and cash equivalents	$ 17,133,175	$ 8,873,111
Endowment-related cash and cash equivalents	3,927,631	3,465,807
	$ 21,060,806	$ 12,338,918
Supplemental cash flow information:		
Cash paid for income taxes	$ 53,090	$ -

See accompanying notes to the financial statements.

The Urban Institute

Statement of Functional Expenses

Year ended December 31, 2018 (with comparative totals for 2017)

	Research and Public Policy Analysis	Total Program Services	General and Administrative	Fundraising	Total Supporting Services	Total	2017* Total
Expenses							
Salaries, wages, and benefits	$ 48,156,929	$ 48,156,929	$ 10,263,113	$ 1,168,566	$11,431,679	$ 59,588,608	$ 56,987,998
Subcontracts	11,062,289	11,062,289	-	-	-	11,062,289	14,029,442
Facilities costs	6,099,717	6,099,717	1,299,960	148,014	1,447,974	7,547,691	7,632,646
Other general expenses	1,640,713	1,640,713	1,288,835	57,291	1,346,126	2,986,839	3,035,722
Consultant fees and expenses	1,925,115	1,925,115	192,549	5,909	198,458	2,123,573	2,429,814
Professional services	1,604,915	1,604,915	457,374	6,590	463,964	2,068,879	829,219
Depreciation and amortization	1,164,658	1,164,658	262,192	21,503	283,695	1,448,353	1,391,686
Travel	1,130,291	1,130,291	62,116	18,875	80,991	1,211,282	1,405,031
Purchase order contracts	921,603	921,603	64,353	3,353	67,706	989,309	2,879,771
Seminars, workshops, conferences	331,926	331,926	63,449	2,658	66,107	398,033	672,363
Temporary help	177,708	177,708	110,412	3,242	113,654	291,362	421,202
Telephone	248,111	248,111	21,452	5,743	27,195	275,306	221,266
Expendable supplies	144,778	144,778	15,944	2,070	18,014	162,792	209,240
Publications/library services	94,697	94,697	12,194	2,224	14,418	109,115	225,801
Postage and delivery	7,208	7,208	8,469	97	8,566	15,774	16,430
Total	$ 74,710,658	$ 74,710,658	$ 14,122,412	$ 1,446,135	$15,568,547	$ 90,279,205	$ 92,387,631
2017 Total	$ 77,581,476	$ 77,581,476	$ 13,943,873	$ 862,282	$14,806,155	$ 92,387,631	$ 92,387,631

**Only totals are shown for the year ended December 31, 2017 as permitted under ASU 2016-14. See Note 1.*

1. Organization and Significant Accounting Policies

The Urban Institute (the Institute) is a non-profit policy research organization established in Washington, D.C., in 1968. The Institute's objectives are to sharpen thinking about society's problems and efforts to solve them, improve government decisions and their implementation, and increase citizens' awareness about important public choices. Institute researchers identify and measure the extent of social problems, assess developing trends and solutions to those problems, evaluate existing social and economic programs and policy options, and offer conceptual clarification and technical assistance in the development of new strategies. The Institute receives contracts and grants from the federal government and private sponsors.

The significant accounting policies followed by the Institute are described below.

Basis of Accounting

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

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Such estimates also affect the reported amounts of revenues and expenses during the reporting year. Actual results may differ from estimates under different assumptions or conditions.

Revenue Recognition

Revenue is recognized when persuasive evidence of an arrangement exists, services have been rendered or goods delivered, the contract price is fixed or determinable, and collectability is reasonably assured. Revenue associated with work performed prior to the completion and signing of contract documents is recognized only when it can be reliably estimated and realization is probable. The Institute bases its estimates on previous experiences with the customer, communications with the customer regarding funding status, and its knowledge of available funding for the contract.

Revenue under federal and non-federal cost-reimbursable and fixed price contracts is recognized on the basis of direct costs incurred plus provisional overhead, which is allocated by the application of rates approved by the Institute's federal oversight agency, plus an allocable portion of fixed fee. Revenue from federal and non-federal time and material contracts is recognized on the basis of man-hours utilized, plus other reimbursable direct costs incurred during the year. Some contracts are invoiced in advance of costs being incurred. These amounts are reflected in the accompanying statements of financial position as deferred revenue.

Program and project grants represent resources received for restricted operating purposes as provided by each specific grant. Each grant is accounted for separately, and related expenditures constitute current revenues in the year expended. Some grant payments are received in advance of related expenditures. These amounts are reflected in the accompanying statements of financial position as deferred revenue.

Contract costs include direct labor, combined with allocations of operational overhead and other direct costs. Provisions for estimated losses on uncompleted production contracts, as defined by the applicable authoritative guidance, are made in the year in which such losses are determined. Changes in job performance, job conditions, and estimated profitability may result in revisions to costs and revenue, and are recognized in the year in which such revisions are determined.

The Institute reports contributions of cash and other assets, including promises to give, as restricted support if they are received with donor stipulations that restrict the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with restrictions are reclassified to net assets without restrictions and reported in the accompanying statements of activities and change in net assets as net assets released from restrictions.

General support grants and contributions are not designated for specific purposes but are received for general support to the Institute's research programs and are recognized as revenue when notice of intent is given.

Other revenues are recognized when earned.

Cash Equivalents

Cash equivalents include money market funds and repurchase agreements with original maturities of 90 days or less.

Accounts Receivable

Accounts receivable are generated from prime and subcontracting arrangements with federal governmental agencies and various commercial entities. Billed receivables represent amounts invoiced and currently due from funders. Unbilled receivables represent recoverable costs incurred and, where applicable, accrued fixed fees related to contracts and grants for which the funder has not been invoiced. Management determines the allowance for doubtful accounts by regularly evaluating individual customer receivables and considering a customer's financial condition, credit history, and current economic conditions. Uncollectible amounts will be written off when all efforts to collect these receivables have been exhausted or when management receives notification that an amount will not be collected.

Receivables relating to pending investment sales represent unreceived proceeds from the sales of the Institute's investments.

Contributions Receivable

Contributions receivable consist of unconditional promises to give, which are recorded as contribution revenue upon receipt of the promise. Promises that are expected to be collected within one year are recorded at their net realizable value. Promises that are expected to be collected beyond one year are recorded at their net present value. Management believes that all contributions receivable are collectible.

Property and Equipment

The Institute's policy is to capitalize property and equipment purchases in excess of $1,000. Property and equipment are carried at cost. Expenditures for major additions and improvements are capitalized, and minor replacements, maintenance, and repairs are charged to expense as incurred. When property and equipment is retired, or otherwise disposed of, the cost and accumulated depreciation and amortization is removed from the accounts and any resulting gain or loss is included in the results of operations for the respective year. Depreciation and amortization of property and equipment is computed using the straight-line method over the estimated useful lives of the assets. Leasehold improvements are amortized using the straight-line method over the lesser of the lease or life of the asset. The asset categories and their estimated useful lives are as follows:

Assets	Estimated Useful Lives
Leasehold improvements	Lesser of life of lease or life of asset
Software	3 - 8 years
Computer equipment	3 years
Furniture and equipment	5 - 7 years

Equipment purchased under the execution of a specific contract or grant is expensed in the year of acquisition.

Long-Term Investments

Long-term investments are carried at fair value. The fair value of the investments is based upon quoted market prices where available or values provided by investment companies if the investments are not publicly traded. Interest and dividend income is accounted for on the accrual basis. Investment income or loss generated from long-term investments are considered non-operating activities and are classified accordingly in the accompanying statements of activities and change in net assets.

As of December 31, 2018 and 2017, the Institute's long-term investments are comprised of shares held in several investment funds. These investment funds also may invest in foreign and domestic equity and debt instruments, derivative instruments such as hedges and foreign currency contracts, and also certain leveraged arrangements. Any significant changes in the fair value of these investment funds could significantly affect the overall value of the Institute's investment portfolio and its net assets.

Accrued Paid Time Off

Under the Institute's paid time off policy, employees are permitted to accumulate unused paid time off up to certain maximum amounts. The policy also provides for payment to employees of such unused amounts at termination. The Institute accrues paid time off as it is earned by the employees.

Benefit Plans

The Institute has a non-contributory defined contribution retirement plan (the Plan) covering substantially all full-time employees. The Institute recorded contributions of $3,849,725 and $3,677,259 to the Plan for the years ended December 31, 2018 and 2017, respectively, based on a fixed rate applied to annual compensation of covered employees. All retirement costs accrued are funded, and there are no unfunded prior service costs in connection with the Plan.

The Institute established a trust in 1993 to serve as a funding vehicle for benefits provided under the Institute's contributory health and welfare plans. The Institute recorded expenses of $2,277,679 and $2,048,219 for the years ended December 31, 2018 and 2017, respectively, based on an estimate of expected claims, reinsurance premiums, and administrative costs under the health and welfare plans.

Classification of Net Assets

The Institute groups net assets into the following two classes:

Net assets without donor restrictions - Net assets without donor restrictions generally result from net revenues derived from contracts and grants, unrestricted contributions, publication activities, investment income and other net inflows of assets whose use by the Institute is not limited by donor-imposed restrictions. Net assets without donor restrictions also include some net assets that have been designated by the Board of Trustees for specific purposes. The board has designated, from net assets without donor restrictions, net assets for board-designated awards and programs. The board approves spending from the board designated fund each year and appropriates funds to certain programs at their discretion.

Net assets with donor restrictions – Net assets with donor restrictions consist of amounts that are subject to donor restrictions and income earned on net assets with donor restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. The Institute is permitted to use up or expend these assets in accordance with the donors' restrictions. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

The Institute's donor-restricted endowment is subject to the authoritative guidance issued by the Financial Accounting Standards Board (the FASB) on net asset classifications of endowment funds, such that earnings on donor-restricted endowment funds for not-for-profit organizations that are subject to the District of Columbia Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA) are classified as net assets with restrictions until such amounts are appropriated for expenditure.

Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of functional expenses for the year ended December 31, 2018. Accordingly, certain costs, including management and general costs, have been allocated among the programs and supporting services benefited.

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function, requiring allocation of these expenses on a reasonable basis that is consistently applied. Expenses that are allocated include occupancy costs, furniture repair, depreciation and amortization, which are allocated by labor dollar, information technology by labor hours, salaries and benefits by timesheet job costing, and remaining costs by job costing dollars.

The statement of activities and change in net assets reports operating costs as incurred under contracts, grants, and for other research. Further, costs are reported as development, publication and public affairs and other costs. These categories sum to total program costs as reported in the statement of functional expenses.

Income Taxes

Under provisions of the Internal Revenue Code (the IRC) Section 501(c)(3) and the applicable regulations of the District of Columbia, the Institute is exempt from taxes on income other than unrelated business income. The Institute incurred unrelated business income tax expense of $71,117 and $0 for the years ended December 31, 2018 and 2017, respectively. The Institute is not a private foundation under Section 509(a)(1) of the IRC.

In accordance with authoritative guidance on accounting for uncertainty in income taxes issued by the FASB, the Institute recognizes tax liabilities for uncertain tax positions when it is more likely than not that a tax position will not be sustained upon examination and settlement with various taxing authorities. Liabilities for uncertain tax positions are measured based upon the largest amount of benefit that is greater than 50% likely of being realized upon settlement. The guidance on accounting for uncertainty in income taxes also addresses de-recognition, classification, and interest and penalties on income taxes. With few exceptions, the Institute is no longer subject to income tax examinations by the U.S. federal, state or local tax authorities for years ended December 31, 2013 and prior. Management has evaluated the Institute's tax positions and has concluded that the Institute has taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of this guidance.

Fair Value of Financial Instruments

The fair value of the Institute's short-term financial instruments, including cash and cash equivalents, accounts receivable, contributions receivable, prepaid expenses, accounts payable, accrued payroll, accrued paid time off, other accrued expenses, and deferred revenue approximate their carrying amounts due to the short maturity of these instruments.

Valuation of Long-Lived Assets

The Institute accounts for the valuation of long-lived assets under authoritative guidance issued by the FASB, which requires that long-lived assets be reviewed for impairment whenever events or circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of the long-lived assets is measured by a comparison of the carrying amount of the asset 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. No indicators of impairment were identified for the years ended December 31, 2018 and 2017.

Concentrations of Credit Risk

The Institute's assets that are exposed to credit risk consist primarily of cash and cash equivalents, long-term investments, accounts receivable and contributions receivable. Domestic deposits are maintained at financial institutions and, at times, balances may exceed federally insured limits. The Institute has historically not experienced any losses related to these balances. Amounts on deposit in excess of federally insured limits at December 31, 2018 approximate $20.6 million. The Institute invests its excess cash and cash equivalents, and maintains its investments with high-quality financial institutions. The Institute performs yearly evaluations of these institutions for relative credit standing. Management regularly monitors the composition and maturities of investments. The Institute limits the amount of credit exposure to any one financial institution. Accounts receivable consist primarily of amounts due from various agencies of the federal government or prime contractors doing business with the federal government. Contributions receivable consist of amounts due from private foundations, individual donors and major donors (see Note 10). Historically, the Institute has not experienced significant losses related to accounts and contributions receivable and, therefore, believes that the credit risk related to these receivables is minimal.

Recently Adopted Authoritative Guidance

In August 2016, FASB issued Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities. The ASU amends the current reporting model for nonprofit organizations and enhances their required disclosures. The major changes include: (a) requiring the presentation of only two classes of net assets now entitled "net assets without donor restrictions" and "net assets with donor restrictions", (b) modifying the presentation of underwater endowment funds and related disclosures, (c) requiring the use of the placed in service approach to recognize the expirations of restrictions on gifts used to acquire or construct long-lived assets absent explicit donor stipulations otherwise, (d) requiring that all nonprofits present an analysis of expenses by function and nature in either the statement of activities, a separate statement, or in the notes and disclose a summary of the allocation methods used to allocate costs, (e) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources, (f) presenting investment return net of external and direct internal investment expenses, and (g) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of nonprofit financial statements. Management has adopted this standard during the year ended December 31, 2018 and adjusted the presentation of the financial statements accordingly. The ASU has been applied retrospectively to all periods presented except the Institute has opted to present the liquidity and availability information and functional and natural expense analysis for 2018 only as permitted under the ASU in the year of adoption. There was no effect on the change in net assets reported at December 2017.

In January 2016, the FASB issued ASU 2016-01, *Financial Instruments – Overall (Subtopic 825-10), Recognition and Measurement of Financial Assets and Financial Liabilities*. The update affects the accounting for equity investments and financial liabilities under the fair value option, as well as the presentation and disclosure requirements for financial instruments. The ASU is effective for the Institute's year beginning on January 1, 2019. Early adoption is permitted and should be applied on a retrospective transition method to each period presented. Management has adopted this standard during the year ended December 31, 2018. The adoption of the new standard removed the fair value disclosures for financial instruments in these financial statements. There was no effect on the change in net assets reported at December 2017.

Recent Accounting Pronouncements Not Yet Adopted

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers*, which establishes a comprehensive revenue recognition standard for virtually all industries in U.S. GAAP, including those that previously followed industry-specific guidance. For non-public entities, the new standards are effective for annual periods beginning after December 15, 2017. In August 2015, FASB issued ASU 2015-14, *Revenue from Contracts with Customers: Deferral of the Effective Date,* which defers the effective date of new revenue accounting standards to fiscal years beginning after December 31, 2018. In December 2016, FASB issued ASU 2016-20, *Technical Corrections and Improvements to Topic 606, Revenue from Contracts with Customers,* which amends the new revenue standard. The amendments do not alter the core principle of the standard, but clarify certain narrow aspects of the standard including contract cost accounting, disclosures, illustrative examples, and other matters. The effective date and transition requirements for ASU 2016-20 are the same as the effective date and transition requirements of Topic 606 which is fiscal years beginning after December 31, 2018. The Institute is currently evaluating the impact this update will have on the financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases (*Topic 842), which is the leasing standard for both lessees and lessors. Under this update, a lessee will recognize lease assets and liabilities on the statement of financial position for all arrangements with terms longer than 12 months. Lessor accounting remains largely consistent with the existing U.S. GAAP. This ASU is effective beginning after December 15, 2019, with early adoption permitted. The Institute is currently evaluating the impact this update will have on the financial statements.

In August 2016, the FASB issued ASU 2016-15, *Classification of Certain Receipts and Cash Payments*, which clarifies how certain cash receipts and cash payments are presented and classified in the statement of cash flows. The amendments are intended to reduce diversity in practice. This ASU contains additional guidance clarifying when an entity should separate cash receipts and cash payments and classify them into more than one class of cash flows (including when reasonable judgment is required to estimate and allocate cash flows) versus when an entity should classify the aggregate amount into one class of cash flows on the basis of predominance. This ASU is effective for fiscal years beginning after December 15, 2018, with early adoption permitted. The Institute is currently evaluating the impact this update will have on the financial statements.

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958), Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. This ASU was issued to standardize how grants and other contracts received and made are classified across the sector, as either an exchange transaction or a contribution. The standard provides guidance to assist in the determination of whether a transaction is a contribution or an exchange transaction. If the transaction is deemed to be a contribution the guidance provides factors to consider with regard to whether the contribution is conditional or unconditional. For contributions received, if determined to be an unconditional contribution, the determination will then need to be made as to whether the contribution is restricted. The ASU will assist in the determination of the nature of the transaction which will then govern the revenue and expense recognition methodology and timing of the transaction. The ASU is effective for fiscal years beginning after December 15, 2018. The Institute is currently evaluating the impact of this ASU on the financial statements.

In August 2018, the FASB issued ASU 2018-13, *Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement.* The update modifies certain disclosure requirements in Topic 820, *Fair Value Measurement*. The ASU is effective for the Institute's financial statements for fiscal years beginning after December 15, 2019. The Institute is currently evaluating the impact of this ASU on the financial statements.

Reclassifications

Certain amounts in the 2017 financial statements have been reclassified to conform to the 2018 presentation. These reclassifications have no effect on the previously reported change in net assets.

2. Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following at December 31:

		2018
Cash and cash equivalents		$ 17,133,175
Endowment related cash and cash equivalents	3,927,631	
Less: board restricted	(3,927,631)	
		-
Accounts receivable		15,069,569
Contributions receivable, net	11,106,153	
Less: restricted contributions	(10,793,653)	
		312,500
Investments	114,669,610	
Less: donor restricted	(5,258,610)	
Less: board restricted	(64,952,497)	
Less: locked-up	(35,262,260)	
		9,196,243
		$ 41,711,487

The Organization has donor-restricted endowment funds, which includes $5.2 million of net assets with donor restrictions. Donor-restricted endowment funds and unspent donor-restricted gifts are not available for general use.

Institute management is authorized by the Board to draw up to 2.5% of endowment assets on an annual basis in support of ongoing organizational health and operations. The Board may also approve an additional annual draw of up to 2.5% during the annual budget review process in order to support the Institute's mission. The endowment asset balance used to calculate the annual percentage draw is based on the average of the quarter-end endowment value from the prior twenty quarters. The unexpended balance of an approved annual draw may be carried over for use in the subsequent fiscal year. The President or his/her designee may draw additional amounts from the endowment without Board approval where required to meet the Institute's short-term borrowing needs for cash flow purposes provided that such amounts are repaid to the endowment within thirty days from the date when borrowed.

To further supplement liquidity, the Institute also has a $7 million line-of-credit with a bank, which it can draw upon if conditions dictate.

3. Accounts Receivable

Accounts receivable consist of the following at December 31:

	2018	2017
Receivables from U.S. Government		
Billed	$ 5,818,610	$ 5,374,829
Unbilled	6,163,756	8,998,622
	11,982,366	14,373,451
Other receivables		
Billed	316,745	257,426
Unbilled	2,846,763	2,389,442
Pending investment sales	5,736	4,094,438
Travel and other advances to employees	32,959	13,289
	3,202,203	6,754,595
Subtotal	15,184,569	21,128,046
Less: allowance for doubtful accounts	(115,000)	(115,000)
	$ 15,069,569	$ 21,013,046

4. Contributions Receivable

Contributions receivable consist of amounts due in:

	2018	2017
Less than one year	$ 9,119,987	$ 15,771,126
One year to five years	2,125,119	3,252,370
	11,245,106	19,023,496
Less: contributions receivable discount	(138,953)	(136,767)
	$ 11,106,153	$ 18,886,729

Contributions due in more than one year have been recorded at their present value using a discount rate of 3.52% and 2.57% in 2018 and 2017, respectively.

5. Property and Equipment

Property and equipment consists of the following at December 31:

	2018	2017
Software	$ 4,646,621	$ 5,730,188
Leasehold improvements	9,257,951	5,255,304
Computer equipment	4,031,414	3,508,311
Furniture and equipment	2,133,408	2,126,673
	20,069,394	16,620,476
Less: accumulated depreciation and amortization	(13,350,217)	(11,901,862)
	$ 6,719,177	$ 4,718,614

Depreciation and amortization expense on property and equipment aggregated $1,448,353 and $1,391,686 for the years ended December 31, 2018 and 2017, respectively.

6. Investments

Investment income is comprised of the following for the years ended December 31:

	2018	2017
Interest and dividend income	$ 1,529,869	$ 1,387,798
Net realized gain on investments	2,700,581	2,340,905
Net unrealized gain on investments	(9,065,041)	13,991,987
	(4,834,591)	17,720,690
Less:		
Management fees and investment expenses	(945,375)	(820,390)
Investment return allocation	(5,207,522)	(5,052,045)
	$ (10,987,488)	$ 11,848,255

7. Bank Line-of-Credit

The Institute has an unsecured bank line-of-credit under which it may borrow up to $7,000,000 from a commercial bank. The terms allow the Institute to borrow at the thirty-day indexed London Inter-bank Offered Rate (LIBOR) plus one percent (3.52% as of December 31, 2018). There were no outstanding balances due under the bank line-of-credit as of December 31, 2018 or 2017. The line-of-credit expires, if not renewed, on August 28, 2019.

8. Net Assets with Donor Restrictions

The Institute receives contributions for several programmatic research areas, which are classified as contributions with donor restrictions. The accumulated balance of unexpended contributions is consolidated below by the Institute Research Center. Ongoing research areas and programs funded by contributions include: Tax Policy Center program support; Informing and Assessing Philanthropic Investments; Pay for Success Initiative; Evidence-Based Policymaking Collaborative; Policy Advisory

Group program support; Assisted Housing Initiative; Commission on U.S. Poverty and Economic Mobility; Technology and Transportation as School Choice Ecosystem Enablers; Effects of School Choice; Education Policy program support; Social Genome Model; Janice Nittoli Solutions Fellowship; Detroit Dialogues Initiative; Finance, Policy, and the Real Economy; Culture of Health - Policies for Action; Medicare Enrollees' Access to Physician Services; Center on Nonprofits and Philanthropy program support; Housing Finance Policy Center program support; Mortgage Servicing Collaborative; and Opportunity and Ownership Initiative.

Accumulated unappropriated earnings on the Institute's donor-restricted endowment fund are classified as net assets with donor restrictions (see Note 9).

Net assets with donor restrictions consist of the following as of December 31:

	2018	2017
Purpose restrictions:		
Tax Policy Center	$ 6,400,907	$ 9,672,135
Policy Advisory Group	5,399,535	7,397,737
Justice Policy Center	3,356,316	-
Health Policy Center	2,718,911	2,648,938
Center on Nonprofits and Philanthropy	2,706,072	3,979,326
Endowment funds	2,408,591	2,672,576
Executive Office Research	2,181,693	1,447,841
Income and Benefits Policy Center	1,073,236	1,591,329
Metropolitan Housing and Communities Policy Center	477,986	-
Housing Finance Policy Center	180,806	673,296
Technology and Data Science	136,914	-
Center on Labor, Human Services, and Population	33,140	66,929
Time restrictions:		
General support grants and contributions	312,500	250,000
Endowments:		
Tax Policy Center	2,486,611	2,453,202
Endowment funds	1,000,000	1,000,000
	$ 30,873,218	$ 33,853,309

9. Endowment and Quasi-Endowments

The Institute's endowment consists of two donor-restricted endowment funds and a board-designated quasi-endowment fund. Net assets associated with endowment funds, including funds designated by the Board of Trustees to function as an endowment, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Trustees of the Institute has interpreted UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Institute retains in perpetuity (a) the original value of initial and subsequent gift amounts (including promises to give net of discount and allowance for doubtful accounts) donated to the endowment and (b) any accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure by the Institute in a manner consistent with the standard of prudence prescribed by UPMIFA. We consider the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

(1) The duration and preservation of the fund
(2) The purposes of the Institute and the donor-restricted endowment fund
(3) General economic conditions
(4) The possible effect of inflation and deflation
(5) The expected total return from income and the appreciation of investments
(6) Other resources of the Institute
(7) The investment policies of the Institute

The Board of Trustees authorized the establishment of the quasi-endowment fund in 1983 to provide an ongoing source of funding for general operations.

The donors' intent in contributing to the Institute's endowment fund was to provide an ongoing source of funding for senior scholars in social policy analysis. The investment committee of the Board of Trustees is responsible for the oversight and management of the Institute's endowment.

The Institute has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of the donor-restricted fund that the Institute must hold in perpetuity as well as the board-designated fund. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to maximize the total rate of return for assets consistent with prudent investment management, taking into consideration the potential for market appreciation, the safety of principal, and income.

To satisfy its long-term rate-of-return objectives, the Institute relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Institute targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints (see Note 12).

Endowment net assets consist of the following at December 31:

	2018		
	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated quasi-endowment fund	$ 113,338,631	$	$ 113,338,631
Donor-restricted endowment fund:			
Original donor-restricted gift amounts required to be maintained in perpetuity by the donor		3,486,611	3,486,611
Accumulated investment gain		2,408,591	2,408,591
Total endowment funds	$ 113,338,631	$ 5,895,202	$ 119,233,833

	2017		
	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated quasi-endowment fund	$ 119,998,446	$ -	$ 119,998,446
Donor-restricted endowment fund	-		
Original donor-restricted gift amounts required to be maintained in perpetuity by the donor		3,453,202	3,453,202
Accumulated investment gain		2,672,576	2,672,576
Total endowment funds	$ 119,998,446	$ 6,125,778	$ 126,124,224

The following table presents the endowment-related balances and activities by net asset classification as of and for the years ended December 31, 2018 and 2017:

	Without Donor Restrictions	With Donor Restrictions
Endowment net assets, December 31, 2016	$ 110,720,245	$ 5,479,283
Investment return		
Investment income, net	1,334,213	53,583
Net gain	15,702,266	630,627
Investment management fees	(788,714)	(31,676)
Total investment return	16,247,765	652,534
Contributions	17,931	11,892
Appropriations	(5,083,714)	(17,931)
Transfer to accounts receivable	(1,903,781)	-
Endowment net assets, December 31, 2017	119,998,446	6,125,778
Investment return (loss)		
Investment income, net	1,464,039	65,830
Net loss	(6,090,624)	(273,863)
Investment management fees	(904,695)	(40,680)
Total investment loss	(5,531,280)	(248,713)
Contributions	15,272	33,412
Appropriations	(5,232,509)	(15,275)
Transfer to accounts receivable	4,088,702	-
Endowment net assets, December 31, 2018	$ 113,338,631	$ 5,895,202

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Institute to retain as a fund of perpetual duration. In accordance with U.S. GAAP, deficiencies of this nature are classified as net assets with donor restrictions. There were no such deficiencies as of December 31, 2018 and 2017.

10. Major Donors

As of December 31, 2018 and 2017, two and three donors accounted for 64% and 75%, respectively, of the Institute's total contributions receivable. For the years ended December 31, 2018 and 2017, three and two donors represented 50% and 59%, respectively, of the Institute's total contributions revenue balance which is included in program and project grants in the statements of activities and change in net assets.

11. Commitments and Contingencies

General

The Institute may enter into service agreements with service providers in which it agrees to indemnify the service provider against certain losses and liabilities arising from the service provider's performance under the agreement. Generally, such indemnification obligations do not apply in situations in which the service provider is grossly negligent, engages in willful misconduct, or acts in bad faith. The indemnifications serve to place the Institute in a liability position no different than if it had performed the services for itself. The Institute was not aware of any liability under such agreements for the years ended December 31, 2018 or 2017.

In the normal course of business, the Institute is a party to certain claims and assessments. In the opinion of management, these matters will not have a material effect on the Institute's financial position, change in net assets, or cash flows.

Leases

The Institute leases office space under operating leases expiring at various dates through 2031. The headquarters office space lease (through March 2019) contained escalation provisions requiring scheduled increases of 2.5% annually, plus operating expense escalations as estimated by property management. The lease included provisions which allowed the minimum rental payments to be adjusted annually for increases in operating expenses and real estate taxes attributed to the leased property. In accordance with authoritative guidance issued by the FASB, the Institute recognized the total cost of its office leases ratably over the respective lease periods. The difference between rent paid and rent expense is reflected as deferred rent and is being recorded on a straight-line basis over the term of the office space lease. The deferred rent liability in the accompanying statements of financial position represents the difference between annual cash payments for rent and the annual recorded expense based on recording rent on a straight-line basis over the life of the lease. Total rent expense, net of sublease income, under operating leases was $7,547,692 and $7,632,646 for the years ended December 31, 2018 and 2017, respectively.

On December 30, 2016, the Institute signed a new lease agreement for their new headquarters office, located in Washington, D.C. The lease commenced on March 1, 2019, for a term of 15 years, with a five-year option to extend at the end of the initial lease term.

As of December 31, 2018, approximate future minimum rental payments due under operating leases for both office facilities are as follows:

Years Ending December 31,	
2019	$ 4,192,000
2020	6,731,000
2021	6,924,000
2022	7,123,000
2023	7,325,000
Thereafter	92,211,000
	$ 124,506,000

The Institute subleased office space under the terms of a sublease agreement. On January 1, 2011, the Institute entered into a sublease agreement for office space beginning April 1, 2011 and expiring on March 15, 2019. Approximate future minimum sublease payments scheduled under this noncancelable sublease agreement total $41,000 for 2019.

Contracts and grants

A substantial number of the Institute's contracts and grants are with departments or agencies of the United States Government and are subject to audit by government auditors. Contract and grant revenue has been recorded in amounts that are expected to be realized upon final settlement. The Institute is of the opinion that adjustments, if any, arising from such audits will not have a material effect on the financial statements.

12. Fair Value Measurements

Certain assets are recorded at fair value. Fair value is defined as the price that would be received to sell an asset between market participants in an orderly transaction on the measurement date. The market in which the reporting entity would sell the asset with the greatest volume and level of activity for the asset is known as the principal market. When no principal market exists, the most advantageous market is used. This is the market in which the reporting entity would sell the asset with the price that maximizes the amount that would be received. Fair value is based on assumptions market participants would make in pricing the asset. Generally, fair value is based on observable quoted market prices or derived from observable market data when such market prices or data are available. When such prices or inputs are not available, the reporting entity should use valuation models.

The Institute reports certain investments using the net asset value per share as determined by investment managers under the so called "practical expedient." The practical expedient allows net asset value per share to represent fair value for reporting purposes when the criteria for using this method are met. Investments at net asset value are excluded from the fair market value hierarchy.

The Institute's assets recorded at fair value on a recurring basis are categorized based on the priority of the inputs used to measure fair value. Fair value measurement standards require an entity to maximize the use of observable inputs (such as quoted prices in active markets) and minimize the use of unobservable inputs (such as appraisals or other valuation techniques) to determine fair value. The inputs used in measuring fair value are categorized into three levels, as follows:

- **Level 1** - Inputs that are based upon quoted prices for identical instruments traded in active markets.
- **Level 2** - Inputs that are based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar investments in markets that are not active, or models based on valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the investment.
- **Level 3** - Inputs that are generally unobservable and typically reflect management's estimates of assumptions that market participants would use in pricing the asset. The fair values are therefore determined using model-based techniques that include option pricing models, discounted cash flow models, and similar techniques.

The following section describes the valuation methodologies the Institute uses to measure its financial assets at fair value.

Investments

Investments include debt securities, equity securities, hedge funds, and other alternative investments.

In general, and where applicable, the Institute uses quoted prices in active markets for identical assets to determine fair value. This pricing methodology applies to Level 1 investments such as certain debt and equity securities. If quoted prices in active markets for identical assets are not available to determine fair value, then the Institute uses quoted prices for similar assets or inputs other than the quoted prices that are observable either directly or indirectly. These investments are included in Level 2.

As of December 31, 2018 and 2017, $71,419,085 and $73,770,689, respectively, of the Institute's investments are reported at net asset value under the practical expedient rule. The remaining $43,250,525 and $47,934,519 for 2018 and 2017, respectively, of investments are classified as Level 1 investments. All investment managers used by the Institute undergo annual financial statement audits. In addition, the Institute employs third-party investment advisors for detailed independent reviews of all investment managers holding Institute funds. These reviews entail an assessment of the methodologies used in measuring fair value. The Institute reports the investment fund fair values as calculated by the investment managers without adjustment.

Institute senior management and the investment committee of the Board of Trustees regularly review the monthly and year-to-date returns for each investment in order to analyze individual returns as well as overall investment performance. There were no changes in valuation techniques noted for the Institute's investments for 2018 and 2017.

Investments measured at fair value on a recurring basis are summarized below:

	As of December 31, 2018			
	Assets Measured at	Fair Value Hierarchy Level		
Description	Fair Value	Level 1	Level 2	Level 3
Debt securities				
Trading debt securities	$ 18,803,302	$ 18,803,302	$ -	$ -
Total debt securities	18,803,302	18,803,302	-	-
Equity securities				
Domestic equity	9,017,611	9,017,611	-	-
Global equity	7,174,692	7,174,692	-	-
International equity	5,272,750	5,272,750	-	-
Emerging markets	2,982,170	2,982,170	-	-
Total equity securities	24,447,223	24,447,223	-	-
Hedge funds and alternatives				
Measured at net asset value*	71,419,085	-	-	-
Total	$ 114,669,610	$ 43,250,525	$ -	$ -

	As of December 31, 2017			
	Assets Measured at	Fair Value Hierarchy Level		
Description	Fair Value	Level 1	Level 2	Level 3
Debt securities				
Trading debt securities	$ 20,153,126	$ 20,153,126	$ -	$ -
Total debt securities	20,153,126	20,153,126	-	-
Equity securities				
Domestic equity	9,533,036	9,533,036	-	-
Global equity	8,600,611	8,600,611	-	-
International equity	6,163,736	6,163,736	-	-
Emerging markets	3,484,010	3,484,010	-	-
Total equity securities	27,781,393	27,781,393	-	-
Hedge funds and alternatives				
Measured at net asset value*	73,770,689	-	-	-
Total	$ 121,705,208	$ 47,934,519	$ -	$ -

* Certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been categorized 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 major categories of the Institute's investments that are valued at net asset value or its equivalent, including general information related to each category, are as follows at December 31, 2018:

	Fair Value	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Notice Period (Days)
Multi-strategy[1]	$ 21,230,354	$ -	Quarterly, Biennially, Annually	60, 65, 90, 105
Global equity[2]	15,725,901	-	Quarterly, Annually	30, 90
Emerging markets equity[3]	9,984,931	-	Monthly, Annually	30, 90
Private equity[4]	9,503,611	7,472,017	N/A	N/A
International equity[5]	5,146,300	-	Monthly	10
Domestic equity[6]	4,488,603	-	Monthly	30
Long/short equity[7]	4,026,863	-	Quarterly, Annually	60, 105
Private debt[8]	1,312,522	860,843	N/A	N/A
Balance at December 31, 2018	$ 71,419,085	$ 8,332,860		

(1) Investments include credit and debt vehicles from both foreign and domestic issuers. Assets may also be invested in equity long/short, event-driven, relative value, and global asset allocation. The fair value of the investments in this class have been estimated using the net asset value per share of the investments. 99% of the investments in this category have satisfied applicable lock-up requirements and are available with notice during the next allowable liquidation window. The remaining 1% of investments in the category have been given notice to liquidate and represent side pockets to be distributed upon liquidation of the underlying investments.

(2) Investments include equity securities in both domestic and developed foreign markets. The fair values of the investments in this class have been estimated using the net asset value per share of the investments. 70% of the investments in the category have satisfied applicable lock-up requirements and are available with notice during the next allowable liquidation window. The remaining 30% will be not available for redemption for a period of 12 months.

(3) Investments include equity security holdings in emerging foreign markets. The fair values of the investments in this class have been estimated using the net asset value per share of the investments. Al of the investments have satisfied applicable lock-up requirements and are available with notice during the next allowable liquidation window.

(4) This class includes private equity funds investing in small to mid-market buyout and growth opportunities and investments in the energy, mining, and power industries. The fair values of the investments in this class have been estimated using the net asset value per share of the investments. These investments can never be redeemed with the funds. Distributions from each fund will be received as the underlying investments of these funds are liquidated. It is estimated that the underlying assets of the funds will be liquidated over the next eight to 15 years.

(5) Investments include equity security holdings in developed foreign markets. The fair values of the investments in this class have been estimated using the net asset value per share of the investments. 5% are available for special redemption, but full redemption will not be available for a period of 24 months.

(6) Investments include domestic equity security holdings. The fair values of the investments in this class have been estimated using the net asset value per share of the investments. All investments have satisfied applicable lock-up requirements and are available with notice during the next allowable liquidation window.

(7) These managers invest primarily in equity long/short underlying hedge funds or direct investments. Some event-driven opportunities may be utilized. Strategies range from value to growth and small to large capitalization. The fair values of the investments in this class have been estimated using the net asset value per share of the investments. 20% of the investments have satisfied applicable lock-up requirements and are available with notice during the next allowable liquidation window.

(8) This class includes holdings of private debt funds of commercial mortgage backed securitizations. The fair values of the investments in this class have been estimated using the net asset value per share of the investments. These investments can never be redeemed with the funds. Distributions from each fund will be received as the underlying investments of these funds are liquidated. It is estimated that the underlying assets of the funds will be liquidated over the next 12 years.

The major categories of the Institute's investments that are valued at net asset value or its equivalent, including general information related to each category, are as follows at December 31, 2017:

	Fair Value	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Notice Period (Days)
Multi-strategy[1]	$ 21,556,763	-	Quarterly, Biennially, Annually	60, 65, 90, 105
Global equity[2]	16,696,986	-	Quarterly, Annually	30, 90
Emerging markets equity[3]	11,879,167	-	Monthly, Annually	30, 90
Private equity[4]	8,100,335	2,023,423	N/A	N/A
International equity[5]	6,050,600	-	Monthly	10
Domestic equity[6]	4,641,508	-	Monthly	30
Long/short equity[7]	3,910,678	-	Quarterly, Annually	60, 105
Private debt[8]	934,652	146,060	N/A	N/A
Balance at December 31, 2017	$ 73,770,689	$ 2,169,483		

(1) Investments include credit and debt vehicles from both foreign and domestic issuers. Assets may also be invested in equity long/short, event-driven, relative value, and global asset allocation. The fair value of the investments in this class have been estimated using the net asset value per share of the investments. 99% of the investments in this category have satisfied applicable lock-up requirements and are available with notice during the next allowable liquidation window. The remaining 1% of investments in the category have been given notice to liquidate and represent side pockets to be distributed upon liquidation of the underlying investments.

(2) Investments include equity securities in both domestic and developed foreign markets. The fair values of the investments in this class have been estimated using the net asset value per share of the investments. All investments are subject to an initial investment lock-up period as of year-end. 68% of the investments in the category have satisfied applicable lock-

up requirements and are available with notice during the next allowable liquidation window. The remaining 32% will be not available for redemption for a period of 24 months.

(3) Investments include equity security holdings in emerging foreign markets. The fair values of the investments in this class have been estimated using the net asset value per share of the investments. 74% of the investments have satisfied applicable lock-up requirements and are available with notice during the next allowable liquidation window. 26% of investments are subject to an initial investment lock-up period of four months as of year-end.

(4) This class includes private equity funds investing in small to mid-market buyout and growth opportunities and investments in the energy, mining, and power industries. The fair values of the investments in this class have been estimated using the net asset value per share of the investments. These investments can never be redeemed with the funds. Distributions from each fund will be received as the underlying investments of these funds are liquidated. It is estimated that the underlying assets of the funds will be liquidated over the next 8 to 15 years.

(5) Investments include equity security holdings in developed foreign markets. The fair values of the investments in this class have been estimated using the net asset value per share of the investments. All investments are subject to an initial investment lock-up period of six months as of year-end.

(6) Investments include domestic equity security holdings. The fair values of the investments in this class have been estimated using the net asset value per share of the investments. All investments have satisfied applicable lock-up requirements and are available with notice during the next allowable liquidation window.

(7) These managers invest primarily in equity long/short underlying hedge funds or direct investments. Some event-driven opportunities may be utilized. Strategies range from value to growth and small to large capitalization. The fair values of the investments in this class have been estimated using the net asset value per share of the investments. 100% of the investments have satisfied applicable lock-up requirements and are available with notice during the next allowable liquidation window.

(8) This class includes holdings of private debt funds of commercial mortgage backed securitizations. The fair values of the investments in this class have been estimated using the net asset value per share of the investments. These investments can never be redeemed with the funds. Distributions from each fund will be received as the underlying investments of these funds are liquidated. It is estimated that the underlying assets of the funds will be liquidated over the next 12 years.

13. Subsequent Events

The Institute has evaluated its December 31, 2018 financial statements for subsequent events through June 26, 2019, the date the financial statements were available to be issued. The Institute is not aware of any subsequent events which would require recognition or disclosure in the financial statements.