The Urban Institute

Financial Statements
Years Ended December 31, 2020 and 2019

The Urban Institute

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The Urban Institute

Contents

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Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of The Urban Institute (the Institute), which comprise the statements of financial position as of December 31, 2020 and 2019, and the related statements of activities and change in net assets, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of The Urban Institute as of December 31, 2020 and 2019, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the Institute and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Institute's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Institute's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Institute's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

BDO USA, LLP

McLean, Virginia
August 5, 2021

Financial Statements

The Urban Institute

Statements of Financial Position

December 31,	2020	2019
Assets		
Cash and cash equivalents	$ 29,423,245	$ 25,017,446
Endowment-related cash and cash equivalents	6,569,895	1,704,391
Contract receivables, net	17,272,224	15,848,822
Other receivables	7,300,573	13,122,161
Contributions receivable, net	32,490,961	34,216,375
Prepaid expenses and other assets	2,185,951	1,154,359
Property and equipment, net	18,401,639	19,476,750
Long-term investments	136,249,391	120,775,661
Total assets	$ 249,893,879	$ 231,315,965
Liabilities and Net Assets		
Liabilities		
Accounts payable	$ 4,231,116	$ 4,289,027
Accrued payroll	1,506,656	1,516,014
Accrued paid time off	4,166,216	3,159,582
Other accrued expenses	190,125	355,595
Contract liabilities	5,644,963	10,484,501
Deferred rent and tenant allowance	21,231,160	20,848,965
Total liabilities	36,970,236	40,653,684
Commitments and contingencies		
Net assets		
Without donor restrictions	139,991,739	128,799,847
With donor restrictions	72,931,904	61,862,434
Total net assets	212,923,643	190,662,281
Total liabilities and net assets	$ 249,893,879	$ 231,315,965

See accompanying notes to the financial statements.

The Urban Institute

Statement of Activities and Change in Net Assets

Year Ended December 31, 2020	Without Donor Restrictions	With Donor Restrictions	Total
Operating activities			
Operating revenues			
Contract amounts earned	$ 37,706,087	$ -	$ 37,706,087
Program and project grants	19,433,809	49,179,526	68,613,335
General support grants and contributions	2,252,097	200,385	2,452,482
Publication income	11,620	-	11,620
Investment return designated for operations	3,167,780	21,520	3,189,300
Other income	(80,341)	-	(80,341)
	62,491,052	49,401,431	111,892,483
Net assets released from restrictions	39,121,594	(39,121,594)	-
Total operating revenues	101,612,646	10,279,837	111,892,483
Operating expenses			
Research expenses			
Incurred under contracts	34,435,478	-	34,435,478
Incurred under grants	19,250,191	-	19,250,191
Incurred for other research	41,314,461	-	41,314,461
Total program costs	95,000,130	-	95,000,130
Development	842,339	-	842,339
Publication and public affairs costs	191,680	-	191,680
Other costs	7,995,004	-	7,995,004
Total operating expenses	104,029,153	-	104,029,153
Change in net assets from operations	(2,416,507)	10,279,837	7,863,330
Non-operating activities			
Investment return, net	16,776,179	792,093	17,568,272
Investment income allocation	(3,167,780)	(21,520)	(3,189,300)
Contributions received	-	19,060	19,060
Total non-operating activities	13,608,399	789,633	14,398,032
Change in net assets	11,191,892	11,069,470	22,261,362
Net assets at the beginning of the year	128,799,847	61,862,434	190,662,281
Net assets at the end of the year	$ 139,991,739	$ 72,931,904	$ 212,923,643

See accompanying notes to the financial statements.

The Urban Institute

Statement of Activities and Change in Net Assets

Year Ended December 31, 2019	Without Donor Restrictions	With Donor Restrictions	Total
Operating activities			
Operating revenues			
Contract amounts earned	$ 34,001,151	$ -	$ 34,001,151
Program and project grants	29,836,833	54,032,608	83,869,441
General support grants and contributions	1,474,815	1,695,915	3,170,730
Publication income	10,100	-	10,100
Investment return designated for operations	4,310,189	83,573	4,393,762
Other income	164,527	-	164,527
	69,797,615	55,812,096	125,609,711
Net assets released from restrictions	25,643,413	(25,643,413)	-
Total operating revenues	95,441,028	30,168,683	125,609,711
Operating expenses			
Research expenses			
Incurred under contracts	30,845,231	-	30,845,231
Incurred under grants	30,604,074	-	30,604,074
Incurred for other research	28,701,129	-	28,701,129
Total program costs	90,150,434	-	90,150,434
Development	701,323	-	701,323
Publication and public affairs costs	369,183	-	369,183
Other costs	6,905,743	-	6,905,743
Total operating expenses	98,126,683	-	98,126,683
Change in net assets from operations	(2,685,655)	30,168,683	27,483,028
Non-operating activities			
Investment return, net	19,867,588	913,702	20,781,290
Investment income allocation	(4,310,189)	(83,573)	(4,393,762)
Contributions received	-	(9,596)	(9,596)
Total non-operating activities	15,557,399	820,533	16,377,932
Change in net assets	12,871,744	30,989,216	43,860,960
Net assets at the beginning of the year	115,928,103	30,873,218	146,801,321
Net assets at the end of the year	$ 128,799,847	$ 61,862,434	$ 190,662,281

See accompanying notes to the financial statements.

The Urban Institute

Statement of Functional Expenses

Year Ended December 31, 2020

	Research and Public Policy Analysis	Total Program Services	General and Administrative	Fundraising	Total Supporting Services	Total
Expenses						
Salaries, wages, and benefits	$ 55,670,708	$55,670,708	$ 11,633,792	$ 2,513,428	$ 14,147,220	$ 69,817,928
Subcontracts	12,771,737	12,771,737	-	-	-	12,771,737
Facilities costs	5,468,533	5,468,533	1,103,756	238,177	1,341,933	6,810,466
Professional services	4,597,738	4,597,738	572,405	70,724	643,129	5,240,867
Other general expenses	1,528,428	1,528,428	2,070,706	46,628	2,117,334	3,645,762
Depreciation and amortization	2,209,775	2,209,775	400,728	86,264	486,992	2,696,767
Consultant fees and expenses	1,661,468	1,661,468	175,144	32,964	208,108	1,869,576
Telephone	296,540	296,540	14,207	10,948	25,155	321,695
Travel	267,306	267,306	12,089	2,319	14,408	281,714
Temporary help	4,158	4,158	172,256	1,722	173,978	178,136
Publications/library services	104,343	104,343	52,335	3,692	56,027	160,370
Seminars, workshops, conferences	61,300	61,300	22,182	1,789	23,971	85,271
Expendable supplies	47,348	47,348	10,460	1,578	12,038	59,386
Purchase order contracts	48,483	48,483	6,349	342	6,691	55,174
Postage and delivery	13,821	13,821	20,235	248	20,483	34,304
Total	$ 84,751,686	$84,751,686	$ 16,266,644	$ 3,010,823	$ 19,277,467	$104,029,153

See accompanying notes to the financial statements.

The Urban Institute

Statement of Functional Expenses

Year Ended December 31, 2019

	Research and Public Policy Analysis	Total Program Services	General and Administrative	Fundraising	Total Supporting Services	Total
Expenses						
Salaries, wages, and benefits	$ 51,549,357	$ 51,549,357	$ 10,327,887	$ 1,362,784	$ 11,690,671	$ 63,240,028
Subcontracts	11,961,214	11,961,214	-	-	-	11,961,214
Facilities costs	6,885,866	6,885,866	1,379,580	182,038	1,561,618	8,447,484
Other general expenses	1,943,573	1,943,573	1,464,968	28,778	1,493,746	3,437,319
Professional services	2,184,501	2,184,501	1,185,087	12,862	1,197,949	3,382,450
Consultant fees and expenses	1,897,675	1,897,675	124,686	1,958	126,644	2,024,319
Depreciation and amortization	2,002,019	2,002,019	421,105	43,027	464,132	2,466,151
Travel	1,276,526	1,276,526	59,838	12,634	72,472	1,348,998
Seminars, workshops, conferences	718,182	718,182	53,447	2,330	55,777	773,959
Telephone	333,161	333,161	25,020	6,282	31,302	364,463
Temporary help	31,490	31,490	185,022	1,875	186,897	218,387
Expendable supplies	159,699	159,699	15,624	2,903	18,527	178,226
Purchase order contracts	134,541	134,541	29,835	986	30,821	165,362
Publications/library services	63,552	63,552	24,635	1,008	25,643	89,195
Postage and delivery	16,286	16,286	12,559	283	12,842	29,128
Total	$ 81,157,642	$ 81,157,642	$ 15,309,293	$ 1,659,748	$ 16,969,041	$ 98,126,683

See accompanying notes to the financial statements.

The Urban Institute

Statements of Cash Flows

Years Ended December 31,	2020	2019
Cash flows from operating activities:		
Change in net assets	$ 22,261,362	$ 43,860,960
Adjustments to reconcile change in net assets to net cash and cash equivalents provided by (used in) operating activities:		
Change in allowance for doubtful accounts	254,000	-
Change in contributions receivable discount	(765,816)	839,485
Realized/unrealized gain on long-term investments	(16,717,489)	(18,640,163)
Depreciation and amortization	2,696,767	2,466,151
Changes in operating assets and liabilities:		
Contract receivables, net	(1,677,402)	(1,134,693)
Other receivables	5,821,588	(12,766,721)
Contributions receivable, net	2,491,230	(23,949,707)
Prepaid expenses and other assets	(1,031,592)	64,253
Accounts payable	(57,911)	599,062
Accrued payroll	(9,358)	(735,967)
Accrued paid time off	1,006,634	119,035
Other accrued expenses	(165,470)	33,777
Contract liabilities	(4,839,538)	(2,859,901)
Deferred rent and tenant allowance	382,195	11,495,380
Total adjustments	(12,612,162)	(44,470,009)
Net cash provided by (used in) operating activities	9,649,200	(609,049)
Cash flows from investing activities:		
Purchases of property and equipment	(1,621,656)	(6,264,032)
Purchases of investments	(18,187,020)	(5,352,799)
Sales of investments	19,430,779	17,886,911
Net cash (used in) provided by investing activities	(377,897)	6,270,080
Net increase in cash and cash equivalents	9,271,303	5,661,031
Cash and cash equivalents, beginning of the year	26,721,837	21,060,806
Cash and cash equivalents, end of the year	$ 35,993,140	$ 26,721,837
Reconciliation of cash and cash equivalents to statements of financial position:		
Cash and cash equivalents	$ 29,423,245	$ 25,017,446
Endowment-related cash and cash equivalents	6,569,895	1,704,391
	$ 35,993,140	$ 26,721,837
Supplemental cash flow information:		
Cash paid for income taxes	$ -	$ 82,027
Noncash financing and investing activities:		
Leasehold improvements acquired under a leasehold allowance	$ 447,215	$ 4,491,381
Obligation of leasehold improvements acquired under a leasehold allowance	(447,215)	(7,876,053)
Total noncash investing activities	$ -	$ (3,384,672)

See accompanying notes to the financial statements.

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

The Institute adopted Financial Accounting Standards Board (the FASB) Accounting Standards Update (ASU), 2014-09, *Revenue from Contracts with Customers (Topic 606),* including all subsequent amendments (collectively, ASC 606) and ASU 2018-08, *Not-For-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, effective January 1, 2019. See *Accounting Pronouncements Adopted* section for further information regarding the adoption of ASC 606 and ASU 2018-08.

The effect of ASC 606 and ASU 2018-08 on the Institute's financial statements were examined in conjunction with one another. Certain of the Institute's revenue-producing arrangements do not meet the definition of a contract under ASC 606, as the arrangement does not have commercial substance and does not meet the definition of an exchange transaction under the clarified guidance in ASU 2018-08. However, certain of the Institute's revenue-producing arrangements do meet the definition of a contract under ASC 606, as the customer receives commensurate value.

Contracts with Customers Accounted for in Accordance with ASC 606

Contract amounts earned

The Institute recognizes revenue as performance obligations are satisfied under a contract. A performance obligation is the unit of account for revenue recognition and refers to a promise in a contract to transfer a distinct service or good to the customer and may be satisfied over time or at a point in time. Contract amounts earned contain a single performance obligation involving various activities that are highly interrelated and/or interdependent which are performed together to deliver a combined programmatic research service or solution.

The Institute recognizes revenue over time as the customer simultaneously receives and consumes the benefits of performance as the promised services are performed over the duration of the contract. For U.S. federal government contracts, continuous transfer of control to the customer is evidenced by clauses in the contract that allow the customer to unilaterally terminate the contract for convenience, pay for costs incurred plus a reasonable profit and take control of any work-in-process.

Contract amounts earned are derived from contracts with departments or agencies of the U.S. federal government. The Institute's contracts do not include any significant financing terms. The Institute performs under various types of contracts, which include time-and-materials (T&M), cost-plus-fixed-fee (CPFF), and firm-fixed-price (FFP) contracts. Revenue from T&M and CPFF contracts is recognized over time using the right-to-invoice practical expedient as the Institute is contractually able to invoice the customer based on the control transferred to the customer. Revenue from FFP contracts is recognized over time using either a cost-input method (referred to as the cost-to-cost method) or a milestone method (an output method). The Institute utilizes the cost-input method to measure the extent of progress towards completion of a performance obligation over time and revenue is recognized based on the proportion of total costs incurred to estimated total costs-at-completion (EAC). A performance obligation's EAC includes all direct costs such as materials, labor, subcontract costs, overhead and a ratable portion of general and administrative costs. Under the milestone method, revenue is recognized upon a customer's acceptance of a deliverable on the assigned due date as each distinct payment invoiced by the Institute corresponds directly with the value of services performed for the amount invoiced. Some contracts are invoiced in advance of costs being incurred. These amounts are reflected in the accompanying statements of financial position as contract liabilities.

Contract costs include direct labor, combined with allocations of operational overhead and other direct costs. During the performance of the Institute's contracts, estimated final contract prices and costs are reviewed periodically and changes are made as required and recorded as changes in revenue and cost of revenue in the period in which they are determined. Amounts representing contract change orders or limitations in funding on contracts are variable consideration. Changes in contract revenue and cost estimates and the related effect to operating income are recognized using a cumulative catch-up adjustment, which recognizes in the current period the cumulative effect of the changes on current and prior periods based on a contract's percentage of completion. Changes in estimated revenue and cost could result in a forward loss or an adjustment to a forward loss. Provisions for estimated losses on uncompleted long-term contracts are recognized on a contract level in the period in which such losses are determined. Changes in job performance, job conditions, and estimated profitability may result in revisions to cost and revenue and are recognized in the year in which such revisions are determined.

Revenue Accounted for in Accordance with ASU 2018-08

Program and project grants and general contributions

The Institute receives contributions from individuals, government, private institutions and other organizations. Contributions are transactions under which the donor does not receive commensurate value. Contributions may be either conditional or unconditional transactions. Depending on the type of the agreement, if unconditional, the Organization recognizes the revenue the earlier of the period received or promised, or if conditional, when the condition has been met. Contributions received are considered to be without donor restriction unless specifically restricted by the donor. Amounts received that are designated for a future period, or are restricted by the donor for specific purposes are reported as net assets with donor restrictions. Unconditional promises to give, which do not state a due date, are presumed to be time-restricted by the donor until received and are reported as net assets with donor restrictions. When the donor-imposed restrictions are met, the funds are released with an offset to without donor restrictions support.

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.

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.

Contract Receivables

Contract receivables consists of billed receivables, net and contract assets. Contract receivables are generated from prime and subcontracting arrangements with federal governmental agencies and various commercial entities.

Billed receivables, net represent the Institute’s unconditional right to consideration under the contract and include the amounts billed and currently due from customers. The amounts are stated at their net estimated realizable value. There were no significant impairment losses related to billed receivables in 2020 or 2019. 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. Management has recorded an allowance for contract receivables that are considered to be uncollectible. Billed contract receivables are considered past due if the invoice has been outstanding more than 30 days. The Institute does not charge interest on billed contract receivables; however, federal governmental agencies generally pay interest on invoices outstanding more than 30 days. The Institute records interest income from federal governmental agencies when received.

Contract assets represent amounts that are invoiced as work progresses in accordance with agreed-upon contractual terms, either at periodic intervals or upon achievement of contractual milestones. When revenue recognition occurs before billing, it results in contract assets.

Other Receivables

Other receivables largely consists of pending investment sales representing proceeds not yet received 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, 2020 and 2019, 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.

Contract Liabilities

The Institute receives advances and milestone payments from customers on selected contracts that exceed revenue earned to date, resulting in contract liabilities. Contract liabilities typically are not considered a significant financing component because they are used to meet working capital demands that can be higher in the early stages of a contract and they protect the Institute from the customer failing to adequately complete some or all of its obligations under the contract. Contract liabilities are reported in the statements of financial position on a net contract basis at the end of each reporting period.

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 $4,395,495 and $4,046,293 to the Plan for the years ended December 31, 2020 and 2019, 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 plan. The Institute recorded expenses of $2,281,824 and $2,158,402 for the years ended December 31, 2020 and 2019, 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 as a quasi-endowment fund. The Board of Trustees approves spending from the Board-designated quasi-endowment 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 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.

Operating and Non-operating Activities

Operating activities include all transactions and other events which generally involve providing the Institute's services. Non-operating activities are investing activities related to the management of the Institute's endowments and other net assets with donor restrictions.

Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statements of functional expenses for the years ended December 31, 2020 and 2019. Accordingly, certain costs, including general and administrative 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 statements of activities and change in net assets report 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 statements 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 no unrelated business income tax expense for the years ended December 31, 2020 and 2019, respectively. The Institute is not a private foundation under Section 509(a)(2) 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, 2016 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, contract receivables, 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, 2020 and 2019.

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, 2020 approximate $36.3 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.

Recent Accounting Pronouncements Not Yet Adopted

In February 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842), amending the existing accounting standards for lease accounting, including requiring lessees to recognize most leases on their balance sheets and making targeted changes to lessor accounting. Topic 842 was subsequently updated by ASUs 2018-01, 2018-10, 2018-11, 2018-20, 2019-01, and 2019-10. The new lease standard provides lessors with a practical expedient, by class of underlying asset, to elect not to separate nonlease components from the associated lease component and, instead, to account for those components as a single component if the nonlease components otherwise would be accounted for under ASC 606 and both the timing and pattern of transfer of the nonlease component(s) and associated lease component are the same, and the lease component, if accounted for separately, would be classified as an operating lease. If the nonlease component or components associated with the lease component are the predominant component of the combined component, an entity is required to account for the combined component in accordance with ASC 606. Otherwise, the entity must account for the combined component as an operating lease in accordance with Topic 842.

In June 2020, the FASB issued ASU 2020-05 to provide a one-year deferral of the effective date of Topic 842. The revised effective date for calendar-year private companies will be for annual periods beginning after December 15, 2021. The Institute will evaluate the effect that adoption of this new standard will have on the Institute's financial statements.

In March 2020, the FASB issued ASU 2020-04, *Reference Rate Reform (Topic 848), Facilitation of the Effects of Reference Rate Reform on Financial Reporting*. The ASU provides optional guidance for a limited period of time to ease the potential burden in accounting for or recognizing the effects of reference rate reform on financial reporting. The ASU applies only to contracts, hedging relationships and other transactions that reference LIBOR or another reference rate expected to be discontinued because of the reference rate reform. The ASU is effective for the Institute at March 12, 2020 through December 31, 2022. This guidance has been subsequently updated by ASU 2021-01. Management will evaluate the effect that the adoption of this new standard will have on the Institute's financial statements.

In September 2020, the FASB issued ASU No. 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. In an effort to improve transparency in reporting nonprofit gifts-in-kind, the ASU requires not-for-profit organizations to change the financial statement presentation and disclosure of contributed nonfinancial assets. Under the new requirements, gifts-in-kind are to be presented as a separate line item, and include enhanced disclosures about the valuation of those contributions, description of any donor-imposed restrictions, and description of the valuation techniques and inputs used to arrive at a fair value measure. The new standard is to be applied retrospectively, with amendments taking effect for annual reporting periods beginning after June 15, 2021, and interim periods within annual reporting periods beginning after June 15, 2022. Early adoption is permitted. Management will evaluate the effect that the adoption of this new standard will have on the Institute's financial statements.

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments – Credit Losses (Topic 326), Measurement of Credit Losses on Financial Instruments*. This update, along with ASU 2018-19, *Codification Improvements to Topic 326, Financial Instruments – Credit Losses* changes the impairment model for most financial assets that are measured at amortized cost and certain other instruments from an incurred loss model to an expected loss model. Entities will be required to estimate credit losses over the entire contractual term of an instrument. The ASU is effective for the Institute's year beginning on January 1, 2023. Early adoption may be selected for fiscal years beginning after December 15, 2018. An entity must apply the amendments in the ASU through a cumulative-effect adjustment to net assets as of the beginning of the first reporting period in which the guidance is effective except for certain exclusions. Management is currently evaluating the impact of this ASU on the Institute's financial statements.

The Institute has assessed other accounting pronouncements issued or effective during the year ended December 31, 2020 and deemed they were not applicable to the Institute or are not anticipated to have a material effect on the financial statements.

Revision to Prior Financial Statements

During the preparation of the 2020 financial statements, management determined that the accounting treatment used in the prior year to record certain lease activity was inappropriate and there was a revision to the presentation of the December 31, 2019 financial statements. Specifically, the Institute determined that certain amounts related to a tenant allowance totaling $16,048,111 were previously reported in the statement of financial position and were netted against property and equipment. This tenant allowance should have been presented as a liability. Management has considered the impact on the Institute's previously issued financial statements and determined the impact was immaterial. As such, the Institute's fiscal year 2019 financial statements have been revised to correct this immaterial error. The effect of the revision on the statement of financial position as of December 31, 2019 was an increase in total assets and liabilities as follows:

	Previously Reported	Correction	Balances as revised
Property and equipment	$ 3,428,639	$ 16,048,111	$ 19,476,750
Total assets	215,267,854	16,048,111	231,315,965
Deferred rent and tenant allowance	4,800,854	16,048,111	20,848,965
Total liabilities	24,605,573	16,048,111	40,653,684

Amounts related to the deferred rent credit have been revised to report the appropriate amounts in the operating and financing activities sections of the accompanying statement of cash flows for the year ended December 31, 2019 as follows:

	Previously Reported	Correction	Balances as revised
Depreciation and amortization	$ 1,678,517	$ 787,634	$ 2,466,151
Deferred rent and tenant allowance	4,406,961	7,088,416	11,495,380
Net cash used in operating activities	(8,485,102)	7,876,053	(609,049)
Purchases of property and equipment	1,612,021	(7,876,053)	(6,264,032)
Net cash provided by investing activities	14,146,133	(7,876,053)	6,270,080

Amounts related to the depreciation of leasehold improvements and amortization of deferred rent and tenant allowance have been revised to correctly report amortization of deferred rent expense against rent expense within the accompanying statement of functional expenses for the year ended December 31, 2019 as follows:

	Previously Reported	Correction	Balances as revised
Facilities costs	$ 9,235,118	$ (787,634)	$ 8,447,484
Depreciation and amortization	1,678,517	787,634	2,466,151

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,	2020	2019
Cash and cash equivalents	$ 35,993,140	$ 26,721,837
Receivables	57,063,758	63,187,358
Investments	136,249,391	120,775,661
Financial assets, at year-end	229,306,289	210,684,856
Adjustments *for amounts not available for general expenditures within one year:*		
Restricted by donor with time or purpose restrictions	(72,321,866)	(61,055,292)
Board-designated quasi-endowment fund	(129,109,388)	(110,770,830)
Financial assets available to meet cash needs for general expenditure within one year	$ 27,875,035	$ 38,858,734

The Organization has donor-restricted endowment funds of approximately $7.5 million and $6.7 million, which are included in net assets with donor restrictions of approximately $72.9 million and $61.9 million as of December 31, 2020 and 2019, respectively. Donor-restricted endowment funds and unspent donor-restricted gifts are not available for general use.

Institute management is authorized by the Board of Trustees to draw up to 2.5% of endowment assets on an annual basis in support of ongoing organizational health and operations. The Board of Trustees 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 of Trustees 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. Contract Receivables and Contract Liabilities

Contract receivables and contract liabilities recognized consist of the following at December 31:

	2020	2019
Billed receivables, net	$ 6,730,581	$ 5,653,995
Contract assets	10,541,643	10,194,827
Total contract receivables	$ 17,272,224	$ 15,848,822
Contract liabilities	$ 5,644,963	$ 10,484,501

The Institute's performance obligations are satisfied either over time as work progresses or at a point in time. Fixed-price contracts are typically billed to the client using milestone payments or ratably over the contract period of performance, while cost-reimbursable and time and material contracts are typically billed to the client on a monthly basis as indicated by the negotiated billing terms and conditions of the contract. As a result, for each of the Institute's contracts, the timing of revenue recognition, client billings and cash collections results in a net contract asset or liability at the end of each reporting period.

Billed receivables, net

Billed receivables consist of receivables for which the Institute has prepared an invoice and sent to the customer. The components of billed receivables are as follows at December 31:

	2020	2019
Billed receivables	$ 7,099,581	$ 5,768,995
Allowance for doubtful accounts	(369,000)	(115,000)
Billed receivables, net	$ 6,730,581	$ 5,653,995

The Institute does not believe that they have significant exposure to credit risk as billed and unbilled receivables are primarily due from the U.S. government. The allowance for doubtful accounts represents the Institute's estimate for exposure to compliance, contractual issues and bad debts related to prime contractors.

Contract assets

Contract assets include unbilled receivables, which is the amount of revenue recognized that exceeds the amount billed to the client, where right to payment is not just subject to the passage of time.

Contract assets are as follows at December 31:

		2020		2019
Contract assets	$	10,541,643	$	10,194,827

There were no significant impairment losses related to contract assets during 2020 and 2019. Contract assets are comprised primarily from revenue recognized on contracts for which billings had not been issued as of the statement of financial position sheet date.

Contract liabilities

Contract liabilities consist primarily of revenue recognized in excess of payments received on performance obligations under the clients' contracts.

Contract liabilities are as follows at December 31:

		2020		2019
Contract liabilities	$	5,644,963	$	10,484,501

Contract liabilities recognized at December 31, 2020 and 2019 consist primarily of timing differences between billings (which are based upon contractually set milestones) and amounts recognized as revenue (which are based upon costs incurred and contract performance).

Other receivables consists of the following at December 31:

		2020		2019
Other receivables				
Pending investment sales	$	6,864,883	$	12,674,779
Other billed receivables		443,732		445,362
Travel and other advances to employees		(8,042)		2,020
	$	7,300,573	$	13,122,161

4. Contributions Receivable

Contributions receivable consist of amounts due in:

December 31,		2020		2019
Less than one year	$	21,779,734	$	18,012,174
One year to five years		10,923,849		17,182,639
		32,703,583		35,194,813
Less: contributions receivable discount		(212,622)		(978,438)
	$	32,490,961	$	34,216,375

Contributions due in more than one year have been recorded at their present value using a discount rate of 1.14% and 2.76% in 2020 and 2019, respectively.

5. Property and Equipment

Property and equipment consists of the following at December 31:

	2020	2019
Software	$ 4,896,779	$ 4,790,352
Leasehold improvements	20,586,407	19,429,722
Computer equipment	4,924,738	4,523,177
Furniture and equipment	6,506,848	6,549,865
	36,914,772	35,293,116
Less: accumulated depreciation and amortization	(18,513,133)	(15,816,366)
	$ 18,401,639	$ 19,476,750

Depreciation and amortization expense on property and equipment aggregated $2,696,767 and $2,466,151 for the years ended December 31, 2020 and 2019, respectively.

6. Investments

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

	2020	2019
Interest and dividend income	$ 1,164,739	$ 2,383,720
Net realized gain on investments	4,302,736	3,107,583
Net unrealized gain on investments	12,933,181	16,450,933
	18,400,656	21,942,236
Less:		
Management fees and investment expenses	(832,384)	(1,160,946)
Investment return allocation	(3,189,300)	(4,393,762)
	$ 14,378,972	$ 16,387,528

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 (1.15% as of December 31, 2020). There were no outstanding balances due under the bank line-of-credit as of December 31, 2020 or 2019. The line-of-credit expires, if not renewed, on August 31, 2021.

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.

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:

	2020	2019
Purpose restrictions:		
Research to Action Lab	$ 18,287,526	$ 18,058,750
Health Policy Center	10,050,569	5,127,821
Executive Office Research	9,752,356	428,355
Justice Policy Center	8,781,422	10,676,196
Tax Policy Center	4,727,379	10,999,524
Income and Benefits Policy Center	3,747,770	1,009,611
Center on Education Data and Policy	3,248,533	1,993,410
Metropolitan Housing and Communities Policy Center	2,649,975	2,730,953
Center on Nonprofits and Philanthropy	1,262,673	919,591
Housing Finance Policy Center	1,043,718	609,278
Center on Labor, Human Services, and Population	1,039,715	895,344
Technology and Data Science	-	6,209
Time restrictions:		
General support grants and contributions	839,158	1,695,915
Endowments:		
Subject to appropriation and expenditure when a specified event occurs		
Tax Policy Center	872,083	382,939
Social Policy Analysis	3,132,950	2,851,523
Perpetual in nature, earnings from which are subject to endowment spending policy and appropriation		
Tax Policy Center	2,496,077	2,477,015
Social Policy Analysis	1,000,000	1,000,000
	$ 72,931,904	$ 61,862,434

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:

	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated quasi-endowment fund	$ 135,664,236	$ -	$ 135,664,236
Donor-restricted endowment fund:			
Original donor-restricted gift amounts required to be maintained in perpetuity by the donor	-	3,496,077	3,496,077
Accumulated investment gain	-	4,005,036	4,005,036
Total endowment funds	$ 135,664,236	$ 7,501,113	$ 143,165,349

	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated quasi-endowment fund	$ 116,245,566	$ -	$ 116,245,566
Donor-restricted endowment fund:			
Original donor-restricted gift amounts required to be maintained in perpetuity by the donor	-	3,477,015	3,477,015
Accumulated investment gain	-	3,234,462	3,234,462
Total endowment funds	$ 116,245,566	$ 6,711,477	$ 122,957,043

The following table presents the endowment-related balances and activities by net asset classification as of and for the years ended December 31, 2020 and 2019:

	Without Donor Restrictions	With Donor Restrictions
Endowment net assets, December 31, 2018	$ 113,338,631	$ 5,895,202
Net investment return	19,867,588	913,702
Contributions	4,258	(9,596)
Appropriations	(4,295,868)	(87,831)
Transfer investments to accounts receivable	(12,669,043)	-
Endowment net assets, December 31, 2019	116,245,566	6,711,477

	Without Donor Restrictions	With Donor Restrictions
Net investment return		
Investment income, net	1,112,225	52,514
Net gain	16,458,811	777,106
Investment management fees	(794,860)	(37,524)
Total investment return	16,776,176	792,096
Contributions	-	19,060
Appropriations	(3,182,918)	(21,520)
Transfer investments from accounts receivable	5,825,412	-
Endowment net assets, December 31, 2020	$ 135,664,236	$ 7,501,113

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, 2020 and 2019.

10. Major Donors

As of December 31, 2020 and 2019, two and three donors accounted for 46% and 77%, respectively, of the Institute's total contributions receivable. For the years ended December 31, 2020 and 2019, two donors represented 32% and 48%, 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, 2020 or 2019.

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

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. The office space lease contains 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. The lease provides for a tenant allowance of $17,282,960.

During 2019, the Institute signed new lease agreements for equipment. The leases commenced in 2019 for a term of five years. The leases do not contain escalation provisions.

In accordance with authoritative guidance issued by the FASB, the Institute recognizes the total cost of its office leases and tenant allowance ratably over the respective lease periods. The difference between the expense and the required lease payments is reflected as deferred rent and tenant allowance in the accompanying statement of financial position and is being recorded on a straight-line basis over the term of the office space lease. Total rent expense was $6,888,744 and $8,447,484 for the years ended December 31, 2020 and 2019, respectively.

As of December 31, 2020, approximate future minimum rental payments due under operating leases for the new headquarters office and other operating leases are as follows:

Years ending December 31,	
2021	$ 7,020,000
2022	7,218,000
2023	7,421,000
2024	7,568,000
2025	7,770,000
Thereafter	72,115,000
	$ 109,112,000

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.

Indirect cost rates

In connection with its ongoing relationship with U.S. Department of Health and Human Services and the regulatory provisions for its Negotiated Indirect Cost Rate Agreement (NICRA), the Institute is finalizing provisional indirect cost rates. As of December 31, 2020, the Institute has finalized indirect cost rates through fiscal year 2019 and provisional indirect cost rates for fiscal years 2020 – 2022. The Institute is partnered with the U.S. Department of Health and Human Services to negotiate indirect rate agreements.

Risks and uncertainties

On January 30, 2020, the World Health Organization ("WHO") announced a global health emergency because of a new strain of a coronavirus originating in Wuhan, China (the "COVID-19 outbreak") and the risks to the international community as the virus spread globally beyond its point of origin. On March 11, 2020, the WHO declared COVID-19 a global pandemic. As of the date of issuance, this public health emergency stands to substantially impact the global economy, including significant volatility in the financial markets. The Institute cannot reasonably estimate the length or severity of this pandemic or the impact on the economy. Management is continually monitoring the impact of the pandemic on operations and it may have a material impact on the amount of reported assets and net assets associated with the market value of investments in the near term. While the resulting disruptions are expected to be temporary, there is considerable uncertainty around its duration. Although the Institute cannot estimate the length or gravity of the impact of the COVID-19 outbreak at this time, if the pandemic continues, it may have an adverse effect on the Institute's results of future operations, financial position, and liquidity in fiscal year 2021.

On March 27, 2020, the "Coronavirus Aid, Relief, and Economic Security Act", (CARES Act) was signed into law in response to the coronavirus pandemic. The CARES Act, among other things, includes provisions relating to refundable payroll tax credits, deferment of employer side social security payments, net operating loss carryback periods, alternative minimum tax credit refunds, modifications to the net interest deduction limitations, increased limitations on qualified charitable contributions, and technical corrections to tax depreciation methods for qualified improvement property.

Management continues to examine the impact that the CARES Act may have on our business. Currently, management is unable to determine the impact that the CARES Act will have on our financial condition, results of operations, or liquidity.

On December 27, 2020, the Consolidated Appropriations Act, 2021 (the Act) was passed, which includes $900 billion in stimulus relief as a result of the COVID-19 pandemic. The Institute is currently evaluating the impact of the Act.

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, 2020 and 2019, $89,051,154 and $73,364,367, respectively, of the Institute's investments are reported at net asset value under the practical expedient rule. The remaining $47,198,237 and $47,411,294 for 2020 and 2019, 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 2020 and 2019.

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

	As of December 31, 2020			
	Assets Measured at	Fair Value Hierarchy Level		
Description	Fair Value	Level 1	Level 2	Level 3
Debt securities				
Trading debt securities	$ 16,406,710	$ 16,406,710	$ -	$ -
Total debt securities	16,406,710	16,406,710	-	-
Equity securities				
Domestic equity	16,559,290	16,559,290	-	-
Global equity	695,232	695,232	-	-
International equity	8,132,468	8,132,468	-	-
Emerging markets	5,404,537	5,404,537	-	-
Total equity securities	30,791,527	30,791,527	-	-
Hedge funds and alternatives				
Measured at net asset value*	89,051,154	-	-	-
Total	$ 136,249,391	$ 47,198,237	$ -	$ -

	As of December 31, 2019			
	Assets Measured at	Fair Value Hierarchy Level		
Description	Fair Value	Level 1	Level 2	Level 3
Debt securities				
Trading debt securities	$ 15,579,940	$ 15,579,940	$ -	$ -
Total debt securities	15,579,940	15,579,940	-	-
Equity securities				
Domestic equity	11,854,188	11,854,188	-	-
Global equity	8,885,575	8,885,575	-	-
International equity	7,474,742	7,474,742	-	-
Emerging markets	3,616,849	3,616,849	-	-
Total equity securities	31,831,354	31,831,354	-	-
Hedge funds and alternatives				
Measured at net asset value*	73,364,367	-	-	-
Total	$ 120,775,661	$ 47,411,294	$ -	$ -

* 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:

2020	Fair Value	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Notice Period (Days)
Multi-strategy[1]	$ 21,308,401	$ -	Quarterly, Biennially, Annually	60, 65, 90, 105
Global equity[2]	17,203,378	-	Quarterly, Annually	30, 90
Emerging markets equity[3]	7,935,828	-	Monthly, Annually	30, 90
Private equity[4]	12,017,092	11,327,371	N/A	N/A
Domestic equity[5]	14,751,673	-	Monthly	30
International equity[6]	5,935,663	-	Monthly	10
Long/short equity[7]	8,315,502	-	Quarterly, Annually	60, 105
Private debt[8]	1,583,617	827,443	N/A	N/A
Balance at December 31, 2020	$ 89,051,154	$ 12,154,814		

2019	Fair Value	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Notice Period (Days)
Multi-strategy[1]	$ 19,683,610	$ -	Quarterly, Biennially, Annually	60, 65, 90, 105
Global equity[2]	14,262,303	-	Quarterly, Annually	30, 90
Emerging markets equity[3]	10,993,496	-	Monthly, Annually	30, 90
Private equity[4]	10,348,394	11,975,653	N/A	N/A
Domestic equity[5]	6,006,940	-	Monthly	30
International equity[6]	5,808,361	-	Monthly	10
Long/short equity[7]	4,682,613	-	Quarterly, Annually	60, 105
Private debt[8]	1,578,650	880,600	N/A	N/A
Balance at December 31, 2019	$ 73,364,367	$ 12,856,253		

(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 values of the investments in this class have been estimated using the net asset value per share of the investments. All of the investments in the category have satisfied applicable lock-up requirements and are available with notice during the next allowable liquidation window.

(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 of the investments in the category have satisfied applicable lock-up requirements and are available with notice during the next allowable liquidation window.

(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 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.
(6) 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 12 months.
(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.

13. Subsequent Events

The Institute has evaluated its December 31, 2020 financial statements for subsequent events through August 5, 2021, 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.

On March 11, 2021, the American Rescue Plan Act of 2021 (the 2021 Act) was passed, a $1.9 trillion stimulus relief package that is intended to provide support to individuals and businesses affected by COVID-19 pandemic. The Institute is currently evaluating the impact of the 2021 Act, if any.