The Urban Institute

Financial Statements
Years Ended December 31, 2022 and 2021

The Urban Institute

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The Urban Institute

Contents

Tel: 703-893-0600
Fax: 703-893-2766
www.bdo.com

8401 Greensboro Drive
Suite 800
McLean, VA 22102

Independent Auditor's Report

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

Opinion

We have audited the financial statements of The Urban Institute (the Institute), which comprise the statements of financial position as of December 31, 2022 and 2021, 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, 2022 and 2021, 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.

Emphasis of Matter

As discussed in Note 1 to the financial statements, the Institute has changed its method for recording leases during the year ended December 31, 2022 due to the adoption of Financial Accounting Standards Board's Accounting Standards update No. 2016-02, Leases (Topic 842). Our opinion is not modified with respect to this matter.

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
June 20, 2023

Financial Statements

The Urban Institute

Statements of Financial Position

December 31,	2022	2021
Assets		
Cash and cash equivalents	$ 16,554,377	$ 39,846,070
Endowment-related cash and cash equivalents	285,853	122,703
Contract receivables, net	18,293,214	20,717,873
Other receivables	10,812,114	13,003,839
Contributions receivable, net	37,234,415	35,629,072
Prepaid expenses and other assets	2,024,467	1,876,067
Property and equipment, net	14,239,907	16,145,239
Right of use assets - operating leases	65,713,270	-
Right of use assets - finance lease	17,864	-
Investments - endowment	128,658,908	155,150,609
Investments - other	53,666,606	14,978,980
Total assets	$ 347,500,995	$ 297,470,452
Liabilities and Net Assets		
Liabilities		
Accounts payable	$ 6,126,602	$ 6,400,560
Accrued payroll	1,738,618	1,810,929
Accrued paid time off	4,482,947	4,279,674
Other accrued expenses	19,167	8,978
Contract liabilities	2,932,997	2,980,526
Deferred rent and tenant allowance	-	20,968,474
Operating lease liability	86,191,161	-
Finance lease liability	16,656	-
Total liabilities	101,508,148	36,449,141
Commitments and contingencies		
Net assets		
Without donor restrictions	129,769,657	165,719,020
With donor restrictions	116,223,190	95,302,291
Total net assets	245,992,847	261,021,311
Total liabilities and net assets	$ 347,500,995	$ 297,470,452

See accompanying notes to the financial statements.

The Urban Institute

Statement of Activities and Change in Net Assets

Year Ended December 31, 2022	Without Donor Restrictions	With Donor Restrictions	Total
Operating activities			
Operating revenues			
Contract amounts earned	$ 34,809,858	$ -	$ 34,809,858
Program and project grants	15,154,201	87,527,228	102,681,429
General support grants and contributions	1,053,120	174,650	1,227,770
Publication income	14,934	-	14,934
Investment return designated for operations	1,000,000	235,748	1,235,748
Interest and other income	163,674	-	163,674
	52,195,787	87,937,626	140,133,413
Net assets released from restrictions	65,563,883	(65,563,883)	-
Total operating revenues	117,759,670	22,373,743	140,133,413
Operating expenses			
Research expenses			
Incurred under contracts	33,718,008	-	33,718,008
Incurred under grants	15,175,899	-	15,175,899
Incurred for other research	66,033,458	-	66,033,458
Total program costs	114,927,365	-	114,927,365
Development	867,081	-	867,081
Publication and public affairs costs	24,237	-	24,237
Other costs	11,822,409	-	11,822,409
Total operating expenses	127,641,092	-	127,641,092
Change in net assets from operations	(9,881,422)	22,373,743	12,492,321
Non-operating activities			
Investment return, net	(25,067,941)	(1,217,096)	(26,285,037)
Investment income allocation	(1,000,000)	(235,748)	(1,235,748)
Total non-operating activities	(26,067,941)	(1,452,844)	(27,520,785)
Change in net assets	(35,949,363)	20,920,899	(15,028,464)
Net assets at the beginning of the year	165,719,020	95,302,291	261,021,311
Net assets at the end of the year	$ 129,769,657	$ 116,223,190	$ 245,992,847

See accompanying notes to the financial statements.

The Urban Institute

Statement of Activities and Change in Net Assets

Year Ended December 31, 2021	Without Donor Restrictions	With Donor Restrictions	Total
Operating activities			
Operating revenues			
Contract amounts earned	$ 39,829,491	$ -	$ 39,829,491
Program and project grants	14,221,361	73,012,441	87,233,802
General support grants and contributions	16,534,794	502,299	17,037,093
Publication income	9,646	-	9,646
Investment return designated for operations	3,095,737	42,848	3,138,585
Other income	188,855	-	188,855
	73,879,884	73,557,588	147,437,472
Net assets released from restrictions	51,960,033	(51,960,033)	-
Total operating revenues	125,839,917	21,597,555	147,437,472
Operating expenses			
Research expenses			
Incurred under contracts	37,727,839	-	37,727,839
Incurred under grants	14,611,064	-	14,611,064
Incurred for other research	53,055,280	-	53,055,280
Total program costs	105,394,183	-	105,394,183
Development	810,315	-	810,315
Publication and public affairs costs	41,509	-	41,509
Other costs	8,262,253	-	8,262,253
Total operating expenses	114,508,260	-	114,508,260
Change in net assets from operations	11,331,657	21,597,555	32,929,212
Non-operating activities			
Investment return, net	17,491,361	811,757	18,303,118
Investment income allocation	(3,095,737)	(42,848)	(3,138,585)
Contributions received	-	3,923	3,923
Total non-operating activities	14,395,624	772,832	15,168,456
Change in net assets	25,727,281	22,370,387	48,097,668
Net assets at the beginning of the year	139,991,739	72,931,904	212,923,643
Net assets at the end of the year	$ 165,719,020	$ 95,302,291	$ 261,021,311

See accompanying notes to the financial statements.

The Urban Institute

Statement of Functional Expenses

Year Ended December 31, 2022

	Research and Public Policy Analysis	Total Program Services	General and Administrative	Fundraising	Total Supporting Services	Total
Expenses						
Salaries, wages, and benefits	$ 64,344,349	$ 64,344,349	$15,049,781	$ 2,613,844	$ 17,663,625	$ 82,007,974
Subcontracts	16,564,514	16,564,514	-	-	-	16,564,514
Professional services	7,181,169	7,181,169	1,868,406	50,049	1,918,455	9,099,624
Facilities costs	5,678,620	5,678,620	896,570	199,995	1,096,565	6,775,185
Other general expenses	3,190,624	3,190,624	2,856,725	91,948	2,948,673	6,139,297
Depreciation and amortization	2,129,051	2,129,051	492,846	73,692	566,538	2,695,589
Consultant fees and expenses	2,426,515	2,426,515	103,722	25,165	128,887	2,555,402
Travel	475,592	475,592	37,197	3,375	40,572	516,164
Temporary help	81,097	81,097	295,438	18,785	314,223	395,320
Telephone	270,130	270,130	19,071	9,083	28,154	298,284
Purchase order contracts	8,845	8,845	272,043	2,374	274,417	283,262
Seminars, workshops, conferences	92,339	92,339	51,358	2,240	53,598	145,937
Publications/library services	70,644	70,644	12,527	1,683	14,210	84,854
Expendable supplies	44,152	44,152	5,976	1,421	7,397	51,549
Postage and delivery	20,936	20,936	6,516	685	7,201	28,137
Total	$102,578,577	$ 102,578,577	$21,968,176	$ 3,094,339	$ 25,062,515	$127,641,092

See accompanying notes to the financial statements.

The Urban Institute

Statement of Functional Expenses

Year Ended December 31, 2021

	Research and Public Policy Analysis	Total Program Services	General and Administrative	Fundraising	Total Supporting Services	Total
Expenses						
Salaries, wages, and benefits	$ 57,305,700	$57,305,700	$ 12,329,664	$ 2,529,174	$ 14,858,838	$ 72,164,538
Subcontracts	16,294,324	16,294,324	-	-	-	16,294,324
Professional services	8,082,244	8,082,244	881,149	50,074	931,223	9,013,467
Facilities costs	5,435,922	5,435,922	1,169,571	239,913	1,409,484	6,845,406
Other general expenses	2,033,215	2,033,215	1,943,660	121,068	2,064,728	4,097,943
Depreciation and amortization	2,226,531	2,226,531	455,832	85,040	540,872	2,767,403
Consultant fees and expenses	1,953,608	1,953,608	152,668	24,930	177,598	2,131,206
Temporary help	105,515	105,515	336,030	9,232	345,262	450,777
Telephone	284,868	284,868	14,154	10,496	24,650	309,518
Seminars, workshops, conferences	76,770	76,770	62,703	2,861	65,564	142,334
Publications/library services	107,927	107,927	16,037	3,832	19,869	127,796
Travel	72,084	72,084	16,974	4,203	21,177	93,261
Purchase order contracts	17,749	17,749	6,662	516	7,178	24,927
Postage and delivery	17,563	17,563	4,622	514	5,136	22,699
Expendable supplies	19,210	19,210	2,778	673	3,451	22,661
Total	$ 94,033,230	$94,033,230	$ 17,392,504	$ 3,082,526	$ 20,475,030	$ 114,508,260

See accompanying notes to the financial statements.

The Urban Institute

Statements of Cash Flows

Years Ended December 31,	2022	2021
Cash flows from operating activities:		
Change in net assets	$ (15,028,464)	$ 48,097,668
Adjustments to reconcile change in net assets to net cash and cash equivalents provided by operating activities:		
Change in contributions receivable discount	940,564	(21,813)
Realized/unrealized loss (gain) on long-term investments	28,467,184	(17,275,652)
Non-cash lease expense	6,698,146	-
Amortization of right-of-use asset - finance lease	5,104	-
Depreciation and amortization	2,695,589	2,767,403
Changes in operating assets and liabilities:		
Contract receivables, net	2,424,659	(3,445,649)
Other receivables	2,191,724	(5,703,266)
Contributions receivable, net	(2,545,907)	(3,116,298)
Prepaid expenses and other assets	(148,400)	309,884
Accounts payable	(273,994)	2,169,444
Accrued payroll	(72,314)	304,273
Accrued paid time off	203,273	113,458
Other accrued expenses	10,188	(181,147)
Contract liabilities	(47,529)	(2,664,437)
Deferred rent and tenant allowance	-	(262,686)
Operating lease liability	(7,189,997)	-
Net cash provided by operating activities	18,329,826	21,091,182
Cash flows from investing activities:		
Purchases of property and equipment	(790,256)	(511,003)
Purchases of investments	(112,016,131)	(95,661,178)
Sales of investments	71,353,023	79,056,632
Net cash used in investing activities	(41,453,364)	(17,115,549)
Cash flows from financing activity:		
Repayments of principal portion of finance lease liability	(5,005)	-
Net cash used in financing activity	(5,005)	-
Net change in cash and cash equivalents	(23,128,543)	3,975,633
Cash and cash equivalents, beginning of the year	39,968,773	35,993,140
Cash and cash equivalents, end of the year	$ 16,840,230	$ 39,968,773
Reconciliation of cash and cash equivalents to statements of financial position:		
Cash and cash equivalents	$ 16,554,377	$ 39,846,070
Endowment-related cash and cash equivalents	285,853	122,703
	$ 16,840,230	$ 39,968,773
Supplemental cash flow information:		
Right-of-use assets obtained in exchange for new finance lease liabilities - at adoption	$ 22,967	$ -
Right-of-use assets obtained in exchange for new operating lease liabilities - at adoption	$ 70,982,017	$ -
Non-cash change in deferred rent	$ 20,968,474	$ -
Cash paid for income taxes	$ 6,059	$ 351

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 follows 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*.

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 agreement, if unconditional, the Institute 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. As of December 31, 2022 and 2021, the Institute had approximately $43.5 million and $53.7 million, respectively, in conditional contributions not yet recognized.

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 treasury funds 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 2022 or 2021. 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 consist 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, 2022 and 2021, 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 $5,011,881 and $4,509,461 to the Plan for the years ended December 31, 2022 and 2021, 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 $3,732,786 and $2,827,001 for the years ended December 31, 2022 and 2021, respectively, based on an estimate of expected claims, reinsurance premiums, and administrative costs under the health and welfare plans. During the year ended December 31, 2022, the Institute dissolved the health and welfare trust and will make all payments for employee benefits directly going forward.

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, unrestricted contributions and grants, 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 those 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.

The Institute's policy is to present appropriations from the endowment fund as operating activities. The Institute makes the appropriation annual in accordance with the endowment policy. These amounts are included in the accompanying statements of activities and change in net assets as investment returns designated for operations.

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, 2022 and 2021. 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 costs as reported in the statements of functional expenses.

Income Taxes

Under provisions of the Internal Revenue Code (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 $0 and $4,253 for the years ended December 31, 2022 and 2021, respectively. The Institute is not a private foundation under section 509(a) 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, 2019 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.

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, 2022 and 2021.

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 never experienced any losses related to these balances. Amounts on deposit in excess of federally insured limits on December 31, 2022 and 2021 were approximately $12.1 million and $40.7 million, respectively. 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 9). Historically, the Institute has not experienced significant losses related to accounts and contributions receivable and, therefore, believes that the credit risk related to accounts receivable is minimal.

Other Concentrations

In April 2021, Urban's staff notified management that a supermajority of eligible staff elected to form the Urban Institute Employees' Union (UIEU) and authorized the Nonprofit Professional Employees Union (NPEU), International Federation of Professional and Technical Engineers (IFPTE) Local 70 to be their representative.

Approximately 262 employees, or approximately 43% of Urban's workforce are in scope of the bargaining unit. The Institute is in negotiations with the union and no agreement has been signed yet.

Leases

Leases arise from contractual obligations that convey the right to control the use of identified property, plant or equipment for a period of time in exchange for consideration. At the inception of the contract, the Institute determines if an arrangement contains a lease based on whether there is an identified asset and whether the Institute controls the use of the identified asset. The Institute also determines whether the lease classification is an operating or financing lease at the commencement date.

A right-of-use asset represents the Institute's right to use an underlying asset and a lease liability represents the Institute's obligation to make payments during the lease term. Right-of-use assets are recorded and recognized at commencement for the lease liability amount, adjusted for initial direct costs incurred and lease incentives received. Lease liabilities are recorded at the present value of the future lease payments over the lease term at commencement. The implicit rates for the Institute's leases are not readily determinable; therefore, the Institute has elected to use a risk-free discount rate at the lease commencement date for all new leases and at January 1, 2022 (the Adoption Date) for any existing leases.

The Institute's real estate operating leases typically include non-lease components such as common-area maintenance costs, utilities, and other maintenance costs. The Institute has elected to include non-lease components with lease payments for the purpose of calculating lease right-of-use assets and liabilities to the extent that they are fixed. Non-lease components that are neither fixed nor variable based on an index or rate are expensed as incurred as variable lease payments.

The Institute's lease terms may include options to extend or terminate the lease. The Institute generally uses the base, non-cancelable, lease term when recognizing the lease assets and liabilities, unless it is reasonably certain that the Institute will exercise those options. The Institute's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

As a matter of policy, the Institute has elected to exclude leases with terms of 12 months or less (Short-Term) from the date of the statements of financial position. Short-Term lease expense is recognized on a straight-line basis over the expected term of the lease. The Institute had no Short-Term leases as of December 31, 2022.

Recently Adopted Authoritative Guidance

In 2022, management adopted FASB ASU No. 2016-02, *Leases* (Topic 842) (ASU 2016-02), and the additional ASUs issued to clarify and update the guidance in ASU 2016-02 (collectively, ASC Topic 842). ASC Topic 842 modifies lease accounting for lessees to increase transparency and comparability by recording lease assets and liabilities for operating leases and disclosing key information about leasing arrangements. Management adopted ASC Topic 842 using the modified retrospective transition method, under which amounts in prior periods presented herein were not restated. For contracts existing at the time of adoption, management elected the practical expedient and did not reassess (i) whether any are or contain leases, (ii) lease classification, and (iii) initial direct costs.

The adoption of ASC Topic 842 resulted in the following as of the Adoption Date:

Recognition of:		
Operating lease right-of-use assets	$	70,982,017
Finance lease right-of-use assets		22,967
Operating lease liabilities		91,950,491
Finance lease liabilities		21,661
Derecognition of:		
Deferred rent		6,795,001
Deferred tenant improvements	$	14,173,473

In 2022, management adopted FASB 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 adoption of the ASU had no material impact on the Institute.

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*. This guidance has been subsequently updated by ASU 2021-01.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 Institute implemented this ASU during the year ended December 31, 2022 on a prospective basis. The adoption of the ASU had no material impact on the Institute.

Recent Accounting Pronouncements Not Yet Adopted

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 their financial statements.

The Institute has assessed other accounting pronouncements issued or effective during the year ended December 31, 2022 and deemed they were not applicable to the Institute or are not anticipated to have a material effect on the financial statements.

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,		2022		2021
Cash and cash equivalents	$	16,840,230	$	39,968,773
Receivables		66,339,743		69,350,784
Investments		182,325,514		170,129,589
Financial assets, at year-end		265,505,487		279,449,146
Adjustments for amounts not available for general expenditures within one year:				
Restricted by donor with time or purpose restrictions		(116,048,422)		(94,550,409)
Board-designated quasi-endowment fund		(124,941,264)		(151,078,698)
Financial assets available to meet cash needs for general expenditure within one year	$	24,515,801	$	33,820,039

The Institute has donor-restricted endowment funds of $6.8 million and $8.3 million, which are included in net assets with donor restrictions as of December 31, 2022 and 2021, 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:

		2022		2021
Billed receivables, net	$	5,460,730	$	8,740,339
Contract assets		12,832,484		11,977,534
Total contract receivables	$	18,293,214	$	20,717,873
Contract liabilities	$	2,932,997	$	2,980,526

The Institute's performance obligations are satisfied over time as work progresses. Fixed-price contracts are typically billed to the Institute using milestone payments or ratably over the contract period of performance, while cost-reimbursable and time and material contracts are typically billed to the Institute 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, Institute 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:

		2022		2021
Billed receivables	$	5,829,730	$	9,109,339
Allowance for doubtful accounts		(369,000)		(369,000)
Billed receivables, net	$	5,460,730	$	8,740,339

The Institute does not believe that there is 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 by the Institute, where right to payment is not just subject to the passage of time.

Contract liabilities

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

Contract liabilities recognized at December 31, 2022 and 2021 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

Other receivables consists of the following at December 31:

	2022	2021
Other receivables		
Pending investment liquidations	$ 10,017,315	$ 12,479,238
Other billed receivables	790,858	531,370
Travel and other advances to employees	3,941	(6,769)
	$ 10,812,114	$ 13,003,839

4. Contributions Receivable

Contributions receivable consist of amounts due in:

December 31,	2022	2021
Less than one year	$ 22,185,863	$ 26,464,599
One year to five years	16,179,925	9,355,282
	38,365,788	35,819,881
Less: contributions receivable discount	(1,131,373)	(190,809)
	$ 37,234,415	$ 35,629,072

Contributions due in more than one year have been recorded at their present value using a discount rate of 5.39% and 1.10% in 2022 and 2021, respectively.

5. Property and Equipment

Property and equipment consists of the following at December 31:

	2022	2021
Leasehold improvements	$ 20,582,286	$ 20,582,786
Software	4,921,153	4,898,598
Computer equipment	5,875,951	5,366,938
Furniture and equipment	6,831,538	6,577,453
	38,210,928	37,425,775
Less: accumulated depreciation and amortization	(23,971,021)	(21,280,536)
	$ 14,239,907	$ 16,145,239

Depreciation and amortization expense on property and equipment aggregated $2,695,589 and $2,767,403 for the years ended December 31, 2022 and 2021, respectively.

6. 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 Secured Overnight Financing Rate (SOFR) plus one percent (5.32% at December 31, 2022). There were no outstanding balances due under the line-of-credit as of December 31, 2022 and December 31, 2021. The line-of-credit expires, if not renewed, on August 31, 2023.

7. 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 8).

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

	2022	2021
Purpose restrictions:		
Research to Action Lab	$ 41,865,188	$ 21,347,460
Tax Policy Center	8,979,487	5,485,872
Justice Policy Center	7,269,757	8,254,852
Health Policy Center	7,306,566	7,625,692
Metropolitan Housing and Communities Policy Center	9,249,509	9,689,859
Center on Education Data and Policy	2,782,950	2,620,478
Income and Benefits Policy Center	4,688,706	3,500,203
Center on Nonprofits and Philanthropy	4,380,572	8,570,644
Center on Labor, Human Services, and Population	5,160,791	2,585,136
Housing Finance Policy Center	1,913,324	2,244,320
Executive Office Research	14,072,939	14,303,788
Office of Race and Equity Research	1,562,605	-
Technology and Data Science	-	53,118
Time restrictions:		
General support grants and contributions	169,701	746,930
Endowments:		
Subject to appropriation and expenditure when a specified event occurs		
Tax Policy Center	219,841	1,340,010
Social Policy Analysis	3,101,254	3,433,929
Perpetual in nature, earnings from which are subject to endowment spending policy and appropriation		
Tax Policy Center	2,500,000	2,500,000
Social Policy Analysis	1,000,000	1,000,000
	$ 116,223,190	$ 95,302,291

8. 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 donor-restricted endowment funds were established to provide ongoing sources of funding for social policy analysis and the tax policy center. 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 11).

Endowment net assets consist of the following at December 31:

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated quasi-endowment fund	$ 130,806,532	$ -	$ 130,806,532
Donor-restricted endowment fund:			
Original donor-restricted gift amounts required to be maintained in perpetuity by the donor	-	3,500,000	3,500,000
Accumulated investment gain	-	3,321,095	3,321,095
Total endowment funds	$ 130,806,532	$ 6,821,095	$ 137,627,627

	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated quasi-endowment fund	$ 156,897,700	$ -	$ 156,897,700
Donor-restricted endowment fund:			
Original donor-restricted gift amounts required to be maintained in perpetuity by the donor	-	3,500,000	3,500,000
Accumulated investment gain	-	4,773,939	4,773,939
Total endowment funds	$ 156,897,700	$ 8,273,939	$ 165,171,639

The following table presents the endowment-related balances and activities by net asset classification as of and for the years ended December 31, 2022 and 2021:

	Without Donor Restrictions	With Donor Restrictions
Endowment net assets, December 31, 2020	$ 142,481,031	$ 7,501,113
Net investment return		
Investment income, net	1,192,025	55,254
Net gain	17,262,276	800,157
Investment management fees	(941,895)	(43,660)
Total investment return	17,512,406	811,751
Contributions	-	3,923
Appropriations	(3,095,737)	(42,848)
Endowment net assets, December 31, 2021	156,897,700	8,273,939
Net investment return		
Investment income, net	1,805,944	87,505
Net loss	(26,225,837)	(1,270,747)
Investment management fees	(671,275)	(33,854)
Total investment return	(25,091,168)	(1,217,096)
Appropriations	(1,000,000)	(235,748)
Endowment net assets, December 31, 2022	$ 130,806,532	$ 6,821,095

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, 2022 and 2021.

9. Major Donors

As of December 31, 2022 and 2021, two donors accounted for 53% and 31%, respectively, of the Institute's total contributions receivable. For the years ended December 31, 2022 and 2021, one and two donors represented 24% and 29%, 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.

10. 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, 2022 or 2021.

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

Operating Leases

On December 30, 2016, the Institute signed a new lease agreement for their headquarters, 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; however, the Institute has determined it is not reasonably certain it will exercise the option to extend. The lease also has an early termination option in which the Institute has determined it is not reasonably certain it will exercise either. 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 allow 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, which was recorded as a reduction to the right-of-use asset on the adoption date.

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.

During 2020, the Institute signed new lease agreements for equipment. The leases commenced in 2020 for a term of five years. The leases do not contain escalation provisions.

Financing Lease

The Institute has a finance lease arrangement for a piece of equipment which expires in fiscal year 2026.

All operating and financing lease agreements for the year ended December 31, 2022 are accounted for under ASC Topic 842; for the year ended December 31, 2021, all leases were accounted for under the previous lease standard.

Upon adoption of ASC Topic 842 and as described in Note 1, the Institute elected numerous practical expedients with respect to leases existing as of January 1, 2022.

Rental payments under these leases include base rental amounts for the terms of each lease unless the lease contains variable costs based (e.g., utilities, real estate taxes, operating expenses such as janitorial and common area maintenance, water, and insurance) on an index or rate. If a lease does include indexed or variable costs at a specific rate, the Institute includes those costs as part of lease payments for determining the lease liability and related right-of-use asset.

Other leases contain variable costs for expenses which are not based on an index or rate. These variable lease payments are determined based on actual expenses incurred by the lessor and passed to the Institute on a periodic basis. The Institute expenses these non-lease components as incurred.

There are no cash payments related to short-term leases.

Lease costs are reported in the statement of functional expenses in “facilities costs” except for interest expense on finance leases, which is included in “other general expenses” for the year ended December 31, 2022:

Lease cost	
Amortization of right-of-use assets- financing lease	$ 5,104
Interest on lease liabilities – financing lease	221
Operating lease cost (costs resulting from lease payments)	6,698,107
Variable lease cost (excluded from lease payments)	75,340
Total lease cost	$ 6,778,772

As of December 31, 2022, the Institute’s lease liabilities mature as follows:

Years ending December 31,	Operating	Financing
2023	$ 7,391,500	$ 5,226
2024	7,539,102	5,226
2025	7,739,784	5,226
2026	7,957,995	1,305
2027	8,181,576	-
Thereafter	55,728,432	-
Total lease payments	94,538,389	16,983
Less imputed interest	(8,347,228)	(327)
Present value of lease liabilities	$ 86,191,161	$ 16,656

Supplemental quantitative information related to leases for the year ended December 31, 2022:

	Operating Leases	Finance Lease
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows	$ 7,188,690	$ 221
Financing cash flows	-	5,005
Weighted-average remaining lease term (years)	11.07	3.42
Weighted-average discount rate	1.61%	1.12%

Previous lease standard – fiscal year 2021

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 $6,845,406 for the year ended December 31, 2021.

As of December 31, 2021, approximate future minimum rental payments due under operating leases for the new headquarters office and other operating leases are as follows:

2022	$ 7,218,000
2023	7,421,000
2024	7,568,000
2025	7,770,000
2026	7,988,000
Thereafter	64,127,000
	$ 102,092,000

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, 2022, the Institute has finalized indirect cost rates through fiscal year 2020 and provisional indirect cost rates for fiscal years 2021 – 2023. The Institute is partnered with the U.S. Department of Health and Human Services to negotiate indirect rate agreements.

11. 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, 2022 and 2021, $39,103,978 and $88,614,932, respectively, of the Institute's investments are reported at net asset value under the practical expedient rule. The remaining $143,221,536 and $81,514,657, for 2022 and 2021, 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 2022 and 2021.

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

	As of December 31, 2022			
		Fair Value Hierarchy Level		
Description	Total Assets	Level 1	Level 2	Level 3
Debt securities				
Trading debt securities	$ 73,820,440	$ 73,820,440	$ -	$ -
Total debt securities	73,820,440	73,820,440	-	-
Equity securities				
Domestic equity	45,431,752	45,431,752	-	-
International equity	23,969,344	23,969,344	-	-
Total equity securities	69,401,096	69,401,096	-	-
Hedge funds and alternatives				
Measured at net asset value*	39,103,978			
Total	$ 182,325,514	$ 143,221,536	$ -	$ -

	As of December 31, 2021			
		Fair Value Hierarchy Level		
Description	Total Assets	Level 1	Level 2	Level 3
Debt securities				
Trading debt securities	$ 28,342,299	$ 28,342,299	$ -	$ -
Total debt securities	28,342,299	28,342,299	-	-
Equity securities				
Domestic equity	32,308,955	32,308,955	-	-
International equity	20,863,403	20,863,403	-	-
Total equity securities	53,172,358	53,172,358	-	-
Hedge funds and alternatives				
Measured at net asset value*	88,614,932			
Total	$ 170,129,589	$ 81,514,657	$ -	$ -

* 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:

2022	Fair Value	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Notice Period (Days)
Multi-strategy	$ 1,604,385	$ -	Quarterly, Biennially, Annually	60, 65, 90, 105
Domestic equity	7,166,484	-	Monthly	30
International equity	5,308,974	-	Monthly	10
Long/short equity	4,850,319	-	Quarterly, Annually	60, 105
Emerging markets equity	111,744	-	Monthly, Annually	30, 90
Private equity	18,092,618	5,856,484	N/A	N/A
Private debt	1,969,454	491,900	N/A	N/A
Balance at December 31, 2022	$ 39,103,978	$ 6,348,384		

2021	Fair Value	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Notice Period (Days)
Multi-strategy	$ 16,628,400	$ -	Quarterly, Biennially, Annually	60, 65, 90, 105
Global equity	19,591,416	-	Quarterly, Annually	30, 90
Domestic equity	12,605,314	-	Monthly	30
Private equity	18,646,446	6,869,517	N/A	N/A
Long/short equity	6,647,208	-	Quarterly, Annually	60, 105
Emerging markets equity	5,038,120	-	Monthly, Annually	30, 90
International equity	7,351,001	-	Monthly	10
Private debt	2,107,027	370,300	N/A	N/A
Balance at December 31, 2021	$ 88,614,932	$ 7,239,817		

General information related to each investment category is below:

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

Global equity: 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 the investments in the category have satisfied applicable lock-up requirements and are available with notice during the next allowable liquidation window.
Domestic equity: 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 the investments in the category have satisfied applicable lock-up requirements and are available with notice during the next allowable liquidation window.

Private equity: 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 two to 10 years.

Long/short equity: 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. All the investments have satisfied applicable lock-up requirements and are available with notice during the next allowable liquidation window.

Emerging markets equity: 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. All the investments have satisfied applicable lock-up requirements and are available with notice during the next allowable liquidation window.

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

Private debt: 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 six years.

12. Subsequent Events

The Institute has evaluated its December 31, 2022 financial statements for subsequent events through June 20, 2023, 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.