Guttmacher Institute, Inc.

Independent Auditor's Report and Financial Statements

December 31, 2018 and 2017

BKD
CPAs & Advisors

Guttmacher Institute, Inc.
December 31, 2018 and 2017

Contents

BKD
CPAs & Advisors

655 Third Avenue, Suite 1200 | New York, NY 10017-9115
212.867.4000 | Fax 212.867.9810 | bkd.com

Independent Auditor's Report

Board of Directors
Guttmacher Institute, Inc.
New York, New York

We have audited the accompanying financial statements of Guttmacher Institute, Inc., which comprise the balance sheet as of December 31, 2018 and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Guttmacher Institute, Inc. as of December 31, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in *Note 15* to the financial statements, in 2018, Guttmacher Institute, Inc. adopted ASU 2016-14, *Not-for-Profit Entities* (Topic 958): *Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

Prior Year Audited by Other Auditors

The 2017 financial statements were audited by other auditors, and their report thereon, dated June 28, 2018, expressed an unmodified opinion.

BKD, LLP

New York, New York
June 24, 2019

Guttmacher Institute, Inc.

Balance Sheets

December 31, 2018 and 2017

	2018	2017
Assets		
Cash and cash equivalents	$ 3,516,345	$ 1,804,117
Investments	33,562,706	33,112,913
Grants receivable	27,343,496	48,275,821
Other receivable	66,613	34,725
Prepaid expenses and other assets	167,168	128,065
Security deposits	211,199	157,019
Fixed assets, net	10,384,364	10,834,747
Total assets	$ 75,251,891	$ 94,347,407
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	$ 1,802,273	$ 1,361,270
Postretirement benefits payable	544,560	627,134
Deferred rent payable	215,265	234,372
Other liabilities	177,258	-
New York City Industrial Development Agency bonds, net	8,287,918	8,541,691
Total liabilities	11,027,274	10,764,467
Net Assets		
Without donor restrictions		
Undesignated	4,485,133	4,889,062
Designated by the Board for reserves	7,876,764	8,269,833
Net investment in property and equipment, net of related debt	2,096,446	2,293,056
Total without donor restrictions	14,458,343	15,451,951
With donor restrictions		
Perpetual in nature	4,855,238	4,855,238
Time-restricted for future periods	9,648,763	10,803,263
Purpose restrictions	35,262,273	52,472,488
Total with donor restrictions	49,766,274	68,130,989
Total net assets	64,224,617	83,582,940
Total liabilities and net assets	$ 75,251,891	$ 94,347,407

Guttmacher Institute, Inc.

Statements of Activities

Years Ended December 31, 2018 and 2017

	2018			2017		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Gains and Other Support						
Contributions	$ 2,452,756	$ -	$ 2,452,756	$ 2,587,344	$ -	$ 2,587,344
Grants and contracts from U.S. government agencies	688,323	-	688,323	728,218	-	728,218
Grants from U.S. private organizations	-	5,856,276	5,856,276	-	50,686,617	50,686,617
Grants from foreign governments and institutions	-	911,723	911,723	-	8,245,554	8,245,554
Publication income and other revenue	82,346	-	82,346	105,462	-	105,462
Net investment return	159,571	-	159,571	26,090	-	26,090
Net assets released from restriction	24,497,673	(24,497,673)	-	21,064,564	(21,064,564)	-
Total revenues, gains and other support	27,880,669	(17,729,674)	10,150,995	24,511,678	37,867,607	62,379,285
Expenses						
Program Services						
Research	14,862,609	-	14,862,609	12,633,365	-	12,633,365
Public education	5,503,547	-	5,503,547	4,980,810	-	4,980,810
Public policy	2,402,555	-	2,402,555	2,169,513	-	2,169,513
Total program services	22,768,711	-	22,768,711	19,783,688	-	19,783,688
Supporting Services						
Management and general	4,330,768	-	4,330,768	3,514,266	-	3,514,266
Fundraising	1,532,529	-	1,532,529	1,207,093	-	1,207,093
Total support services	5,863,297	-	5,863,297	4,721,359	-	4,721,359
Total expenses	28,632,008	-	28,632,008	24,505,047	-	24,505,047
Change in net assets before foreign exchange loss, postretirement benefit plan adjustment and investment income (loss), nonoperating	(751,339)	(17,729,674)	(18,481,013)	6,631	37,867,607	37,874,238
Foreign exchange gain (loss)	-	(206,802)	(206,802)	-	766,787	766,787
Postretirement benefit plan adjustment	150,800	-	150,800	(59,852)	-	(59,852)
Investment income (loss), nonoperating	(393,069)	(428,239)	(821,308)	1,543,045	1,169,827	2,712,872
Change in Net Assets	(993,608)	(18,364,715)	(19,358,323)	1,489,824	39,804,221	41,294,045
Net Assets, Beginning of Year	15,451,951	68,130,989	83,582,940	13,962,127	28,326,768	42,288,895
Net Assets, End of Year	$ 14,458,343	$ 49,766,274	$ 64,224,617	$ 15,451,951	$ 68,130,989	$ 83,582,940

Guttmacher Institute, Inc.

Statements of Functional Expenses

Years Ended December 31, 2018 and 2017

	2018							
	Program Services				Supporting Services			
	Research	Public Education	Public Policy	Total	Management and General	Fundraising	Total	Total
Salaries	$ 6,748,199	$ 3,222,241	$ 1,510,601	$ 11,481,041	$ 1,680,462	$ 745,632	$ 2,426,094	$ 13,907,135
Payroll taxes and employee benefits	2,022,237	962,876	453,542	3,438,655	499,128	222,737	721,865	4,160,520
Total salaries and related expenses	8,770,436	4,185,117	1,964,143	14,919,696	2,179,590	968,369	3,147,959	18,067,655
Printing and artwork	15,752	79,415	217	95,384	1,520	34,255	35,775	131,159
Data processing	36,326	18,820	-	55,146	70,766	7,206	77,972	133,118
Professional fees	3,495,076	366,486	10,668	3,872,230	1,132,261	157,650	1,289,911	5,162,141
Occupancy and office costs (includes interest on bonds of $509,450)	1,139,799	421,091	212,359	1,773,249	338,385	126,460	464,845	2,238,094
Information technology	120,427	45,485	21,309	187,221	40,261	11,610	51,871	239,092
Postage and shipping	15,873	7,081	23	22,977	5,940	19,425	25,365	48,342
Conferences, meetings and travel	770,444	203,943	91,116	1,065,503	342,626	110,604	453,230	1,518,733
Dues, subscriptions and publications	72,610	1,835	25,216	99,661	6,540	52,505	59,045	158,706
Miscellaneous	12,559	22,922	1,828	37,309	96,455	3,696	100,151	137,460
Total expenses before depreciation and amortization	14,449,302	5,352,195	2,326,879	22,128,376	4,214,344	1,491,780	5,706,124	27,834,500
Depreciation and amortization	413,307	151,352	75,676	640,335	116,424	40,749	157,173	797,508
Total expenses reported by function on the statement of activities	$ 14,862,609	$ 5,503,547	$ 2,402,555	$ 22,768,711	$ 4,330,768	$ 1,532,529	$ 5,863,297	$ 28,632,008

Guttmacher Institute, Inc.

Statements of Functional Expenses (Continued)

Years Ended December 31, 2018 and 2017

	2017							
	Program Services				Supporting Services			
	Research	Public Education	Public Policy	Total	Management and General	Fundraising	Total	Total
Salaries	$ 5,956,833	$ 2,881,248	$ 1,329,120	$ 10,167,201	$ 1,787,774	$ 572,323	$ 2,360,097	$ 12,527,298
Payroll taxes and employee benefits	1,746,787	842,168	388,507	2,977,462	464,137	167,562	631,699	3,609,161
Total salaries and related expenses	7,703,620	3,723,416	1,717,627	13,144,663	2,251,911	739,885	2,991,796	16,136,459
Printing and artwork	7,697	45,131	231	53,059	8,244	469	8,713	61,772
Data processing	34,470	26,031	9	60,510	35,121	5,967	41,088	101,598
Professional fees	2,804,040	297,926	11,104	3,113,070	296,751	208,170	504,921	3,617,991
Occupancy and office costs (includes interest on bonds of $540,338)	862,921	449,036	211,637	1,523,594	361,651	112,182	473,833	1,997,427
Information technology	150,196	76,222	25,915	252,333	83,812	14,541	98,353	350,686
Postage and shipping	3,520	1,444	55	5,019	3,708	5,113	8,821	13,840
Conferences, meetings and travel	643,612	174,860	87,280	905,752	291,660	49,434	341,094	1,246,846
Dues, subscriptions and publications	56,296	3,384	31,596	91,276	8,904	36,057	44,961	136,237
Miscellaneous	22,019	4,484	1,010	27,513	31,958	13,170	45,128	72,641
Total expenses before depreciation and amortization	12,288,391	4,801,934	2,086,464	19,176,789	3,373,720	1,184,988	4,558,708	23,735,497
Depreciation and amortization	344,974	178,876	83,049	606,899	140,546	22,105	162,651	769,550
Total expenses reported by function on the statement of activities	$ 12,633,365	$ 4,980,810	$ 2,169,513	$ 19,783,688	$ 3,514,266	$ 1,207,093	$ 4,721,359	$ 24,505,047

See Notes to Financial Statements

Guttmacher Institute, Inc.

Statements of Cash Flows

Years Ended December 31, 2018 and 2017

	2018	2017
Operating Activities		
Change in net assets	$ (19,358,323)	$ 41,294,045
Items not requiring (providing) operating cash flows		
Depreciation and amortization	797,508	769,550
Amortization of debt issuance costs (included in interest expense)	16,225	16,225
Net realized and unrealized (gains) losses on investments	1,268,994	(2,492,005)
Foreign exchange (gain) loss	206,802	(766,787)
Changes in discount on long-term receivables	417,645	637,628
Changes in		
Grants receivable	20,307,878	(34,332,926)
Other receivables	(31,888)	123,691
Prepaid expenses and other assets	(39,103)	123,864
Security deposits	(54,180)	-
Accounts payable and accrued expenses	441,003	(49,640)
Postretirement benefits payable	(82,574)	116,580
Deferred rent payable	(19,107)	(11,177)
Other liabilities	177,258	-
Net cash provided by operating activities	4,048,138	5,429,048
Investing Activities		
Purchase of fixed assets	(347,123)	(452,632)
Proceeds from sales of investments	516,001	7,103,170
Purchases of investments	(2,234,788)	(10,958,365)
Net cash used in investing activities	(2,065,910)	(4,307,827)
Financing Activities		
Principal payments on bonds	(270,000)	(255,000)
Net cash used in financing activities	(270,000)	(255,000)
Net Change in Cash and Cash Equivalents	1,712,228	866,221
Cash and Cash Equivalents, Beginning of Year	1,804,117	937,896
Cash and Cash Equivalents, End of Year	$ 3,516,345	$ 1,804,117
Supplemental Cash Flows Information		
Interest paid	$ 509,450	$ 524,113

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

Guttmacher Institute, Inc. (the Institute), incorporated in New York in 1977, with offices in New York City and Washington, D.C., advances sexual and reproductive health in the United States and worldwide through an interrelated program of social science research, policy analysis and public education. The Institute conducts its activities through revenue generated from grants.

The Institute is a not-for-profit tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code.

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 and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Institute considers all highly liquid investments with original maturities of 90 days or less to be cash and cash equivalents, except for money market accounts included in the Institute's investment portfolio.

Investments and Net Investment Return

Investments in equity securities having a readily determinable fair value and in all debt securities are carried at fair value. Other investments are valued at the lower of cost or fair value at time of donation, if acquired by contribution or fair value. Investments in private equity funds and hedge funds are recorded at net asset value (NAV), as a practical expedient. Investment return includes dividend, interest and other investment income; realized and unrealized gains and losses on investments carried at fair value; and realized gains and losses on other investments, less external and direct internal investment expenses.

Investment return is reflected in the statements of activities with or without donor restrictions based upon the existence and nature of any donor or legally imposed restrictions.

The Institute maintains some pooled investment accounts for its endowments.

Investment income and realized and unrealized gains and losses from securities in the pooled investment accounts are allocated monthly to the individual endowments based on the relationship of the fair value of the interest of each endowment to the total fair value of the pooled investments accounts, as adjusted for additions to or deductions from those accounts.

Grants Receivable

Grants are recorded as income when the Institute is formally notified of the grants or contributions by the respective donors. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met. The Institute does not charge interest on outstanding receivables.

Allowance for Doubtful Accounts

The Institute determines whether an allowance for uncollectibles should be provided for grants receivable and other receivables. Such estimates are based on management's assessment of the aged basis of its sources, current economic conditions, subsequent receipts and historical information. Grants receivable and other receivables are written off against the allowance for doubtful accounts when all reasonable collection efforts have been exhausted. If no allowance is established, then the receivable is written off directly as bad debt. Interest is not charged on outstanding receivables. As of December 31, 2018 and 2017, the Institute had no allowance for doubtful accounts.

Fixed Assets

Fixed assets are reported at cost less accumulated depreciation or amortization. These amounts do not purport to represent replacement or realizable values. The Institute capitalizes all property and equipment having a cost in excess of $1,000 and a useful life of greater than one year. Leasehold improvements are amortized on the straight-line basis over the lesser of their useful lives or the term of the lease. Depreciation and amortization is provided on the straight-line basis over the following estimated useful lives of the assets:

The estimated useful lives for each major depreciable classification of property and equipment are as follows:

Commercial condominium	40 years
Furniture and fixtures	3-10 years
Computer hardware and software	3-5 years
Leasehold improvements	10 years

Long-Lived Asset Impairment

The Institute evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset is less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value. No asset impairment was recognized during the years ended December 31, 2018 and 2017.

Debt Issuance Costs

Debt issuance costs are reflected as a reduction of the carrying amount of the related debt, and are amortized using the effective interest rate over the life of the associated debt. Amortization of debt issuance costs is included in interest expense.

Net Assets

Net assets, revenues, gains and losses are classified based on the existence or absence of donor or grantor restrictions.

Net assets without donor restrictions are available for use in general operations and not subject to donor or certain grantor restrictions. The governing board has designated, from net assets without donor or certain grantor restrictions, net assets invested in property and equipment, net of related debt and board-designated reserves.

Net assets with donor restrictions are subject to donor or certain grantor restrictions. Some 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 restrictions are perpetual in nature, where the donor or grantor stipulates that resources be maintained in perpetuity.

Contributions and Grants

Unconditional contributions and grants, including promises to give cash and other assets, are reported at fair value at the date the contribution is received. The gifts are reported as net assets with or without donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

Government Grants

Support funded by government grants is recognized as the Institute incurs outlays eligible for reimbursement under the grant agreements. Grant activities and outlays are subject to audit and acceptance by granting agencies, and, as a result of such audit, adjustments could be required.

Functional Allocation of Expenses

The costs of supporting the various programs and other activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Certain costs have been allocated among the program, management and general and fundraising categories based on the number of employees.

Leases

Operating lease payments are charged to rent expense. Rent expense is recorded on the straight-line basis over the term of the lease. Deferred rent, when material, is recorded for the difference between the fixed payment and the rent expense.

Measure of Operations

The Institute includes in its definition of operations all revenues and expenses that are an integral part of its programs and supporting activities and excludes foreign exchange gain (loss), postretirement benefit plan adjustment and investment income (losses) earned on endowment funds and board designated funds from its measure of operations.

Exchange Rates

Non-U.S. assets are remeasured into U.S. dollars at year-end exchange rates. Revenues are recorded at approximate rates prevailing at the time of the transaction.

Income Taxes

The Institute is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and a similar provision of state law. However, the Institute is subject to federal income tax on any unrelated business taxable income. The Institute files tax returns in the U.S. federal jurisdiction.

Transfers Between Fair Value Hierarchy Levels

Transfers in and out of Level 1 (quoted market prices), Level 2 (other significant observable inputs) and Level 3 (significant unobservable inputs) are recognized at the end of the year.

Note 2: Disclosures About Fair Value of Assets and Liabilities

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. The hierarchy comprises three levels of inputs that may be used to measure fair value:

Level 1 Quoted prices in active markets for identical assets or liabilities

Level 2 Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities

Level 3 Unobservable inputs supported by little or no market activity and that are significant to the fair value of the assets or liabilities

Recurring Measurements

The following table presents the fair value measurements of assets and liabilities recognized in the accompanying balance sheets measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at December 31, 2018 and 2017:

		Fair Value Measurement Using			
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Investments Measured at NAV*
December 31, 2018					
Assets					
Investments					
Stock, common shares	$ 1,317,733	$ 1,317,733	$ -	$ -	$ -
Stock, depository receipts	1,577,668	1,577,668	-	-	-
Open-end mutual funds	6,107,077	6,107,077	-	-	-
Alternative mutual funds	528,502	528,502	-	-	-
Exchange traded funds	4,172,514	4,172,514	-	-	-
Real estate investment trusts	47,134	47,134	-	-	-
Corporate debt	5,401,243	-	5,401,243	-	-
U.S. Government securities	2,433,947	-	2,433,947	-	-
Alternative investments	1,160,016	-	-	-	1,160,016
Total investments	22,745,834	$ 13,750,628	$ 7,835,190	$ -	$ 1,160,016
Money market accounts	10,816,872				
Total assets	$ 33,562,706				

		Fair Value Measurement Using			
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Investments Measured at NAV*
December 31, 2017					
Assets					
Investments					
Stock, common shares	$ 1,370,288	$ 1,370,288	$ -	$ -	$ -
Stock, depository receipts	1,640,804	1,640,804	-	-	-
Open-end mutual funds	5,989,450	5,989,450	-	-	-
Alternative mutual funds	505,215	505,215	-	-	-
Exchange traded funds	4,758,005	4,758,005	-	-	-
Real estate investment trusts	35,838	35,838	-	-	-
Corporate debt	4,088,013	-	4,088,013	-	-
U.S. Government securities	3,410,035	-	3,410,035	-	-
Alternative investments	1,502,826	-	-	-	1,502,826
Total investments	23,300,474	$ 14,299,600	$ 7,498,048	$ -	$ 1,502,826
Money market accounts	9,812,439				
Total assets	$ 33,112,913				

* In accordance with ASU 2015-07, certain investments that were measured using the practical expedient have not been classified 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 line item presented in the balance sheets.

Investments

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections and cash flows. Such securities are classified in Level 2 of the valuation hierarchy.

Alternative Investments

Investments in certain entities measured at fair value using the net asset value per share as a practical expedient consist of the following:

	2018			
	Fair Value	Unfunded Commitment	Redemption Frequency	Redemption Period Notice
Alternative funds [(A)]	$ 287,345	None	Daily	Daily
Equity funds [(B)]	872,671	None	Monthly	15 days
	$ 1,160,016			

	2017			
	Fair Value	Unfunded Commitment	Redemption Frequency	Redemption Period Notice
Alternative funds [(A)]	$ 312,411	None	Daily	Daily
Equity funds [(B)]	1,190,415	None	Monthly	15 days
	$ 1,502,826			

(A) Abbey Capital ACL Alternative Fund SAC Limited: Diversification is achieved through trading styles, timeframes, markets and geographic regions. The fund's due diligence includes both quantitative and qualitative analysis of managers.

(B) Iridian Private Business Value Equity Funds, L.P.: The limited partnership seeks to provide long-term capital appreciation by investing primarily in U.S. companies in the medium market capitalization segment. These companies generally have a capitalization at the time of purchase of $1-10 billion.

Investment Income

	2018	2017
Interest and dividends	$ 727,971	$ 363,165
Unrealized gain (loss) on investments	(1,749,964)	1,948,113
Realized gain on investments, net	480,970	543,892
Investment fees	(120,714)	(116,208)
Net investment income (loss)	$ (661,737)	$ 2,738,962

Note 3: Grants Receivable

Grants receivable consisted of the following:

	2018		
	Without Donor Restrictions	With Donor Restrictions	Total
Due within one year	$ 3,280,469	$ 13,137,438	$ 16,417,907
Due in one to five years	-	11,299,042	11,299,042
Total	3,280,469	24,436,480	27,716,949
Less: discount to present value	-	(373,453)	(373,453)
Net	$ 3,280,469	$ 24,063,027	$ 27,343,496

	2017		
	Without Donor Restrictions	With Donor Restrictions	Total
Due within one year	$ 3,527,571	$ 18,249,432	$ 21,777,003
Due in one to five years	3,314,887	23,975,029	27,289,916
Total	6,842,458	42,224,461	49,066,919
Less: discount to present value	(57,333)	(733,765)	(791,098)
Net	$ 6,785,125	$ 41,490,696	$ 48,275,821

Discount rates ranged from 1.7% to 2.5% for 2018 and 2017, respectively.

As of December 2018 and 2017, grants receivable due from one organization was approximately 67% and 70%, respectively.

Note 4: Fixed Assets

Fixed assets at December 31, 2018 and 2017 consist of:

	2018	2017
Commercial condominium	$ 11,966,673	$ 11,966,673
Furniture and fixtures	1,749,861	1,716,805
Computer hardware and software	2,755,497	2,577,519
Leasehold improvements	2,329,975	2,210,111
Total cost	18,802,006	18,471,108
Less accumulated depreciation and amortization	(8,417,642)	(7,636,361)
Net book value	$ 10,384,364	$ 10,834,747

The cost of the commercial condominium purchased with the proceeds of the New York City Industrial Development Agency Bonds was $11,966,673. As of December 31, 2018 and 2017, accumulated amortization thereon was $3,693,134 and $3,377,966, respectively.

Note 5: New York City Industrial Development Agency Bonds

In May 2007, the Institute borrowed $11,000,000 through the issuance of two Civic Facility Revenue Bonds, Series 2007 (the bonds) by the New York City Industrial Development Agency (IDA) to finance the acquisition of office space to be used as the Institute's place of operations. Series 2007A matured on December 1, 2016. Series 2007B bond has an original face amount of $9,115,000, bears interest at rate 5.75% and matures December 1, 2036. The bonds are collateralized by the purchased property.

Future minimum payments are as follows:

Year Ending December 31,		
2019	$	778,925
2020		777,538
2021		780,288
2022		776,888
2023		777,625
Thereafter		10,122,713
		14,013,977
Less amounts representing interest		(5,423,975)
Present value of net minimum lease payments		8,590,002
Less: Unamortized debt issuance costs		(302,084)
	$	8,287,918

The unamortized debt issuance cost was $302,084 and $318,309 as of December 31, 2018 and 2017 and is amortized using the effective interest rate method. As a result of amortization of debt issuance costs, the effective interest rate was approximately 6% in 2018 and 2017, respectively.

In connection with the issuance of the bonds, the Institute transferred leasehold title to its property to IDA.

IDA has leased the property back to the Institute for a term concurrent with the bond repayment schedule. At the conclusion of the lease term, the Institute has the option to purchase IDA's leasehold interest in the property for $1.

The bonds are the obligation of IDA. The Institute has the obligation under the lease agreement to make payments equal to the amounts payable as principal and interest on the outstanding bonds.

Interest expense was $525,675 and $540,338 for the years ended December 31, 2018 and 2017, respectively, which includes amortization of debt issuance costs of $16,225 in each of the years then ended.

The loan agreements contain various covenants, which among other things, place restrictions on the Institute's ability to incur additional indebtedness. As of the date the financial statements were issued, management believes the Institute was in compliance with all loan covenants.

Note 6: Net Assets with Donor Restrictions

Net assets with donor restrictions at December 31 are restricted for the following purposes or periods:

	2018	2017
Subject to expenditure for specified purposes:		
Research	$ 30,741,286	$ 44,527,586
Public education	2,569,750	2,783,776
Public policy	1,824,210	5,161,126
Other	127,027	-
	35,262,273	52,472,488
Subject to the passage of time:		
Promises to give that are not restricted by donors but which are unavailable for expenditure until after year end	8,016,086	8,506,664
Endowments		
Subject to the Institute's endowment spending policy and appropriation		
Restricted by donors	4,855,238	4,855,238
Earnings on endowment available for general use	1,632,677	2,296,599
	6,487,915	7,151,837
	$ 49,766,274	$ 68,130,989

Net assets released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of the passage of time and by incurring expenses satisfying the following:

	2018	2017
Subject to expenditure for specified purposes:		
Research	$ 14,652,577	$ 11,333,275
Public education	3,221,981	3,301,905
Public policy	1,156,566	915,126
Other	42,973	-
	19,074,097	15,550,306
Subject to the passage of time:		
Promises to give that are not restricted by donors but which are unavailable for expenditure until after year end	5,187,893	5,295,541
Earnings appropriated for expenditure	235,683	218,717
	5,423,576	5,514,258
	$ 24,497,673	$ 21,064,564

Note 7: Employee Benefit Plans

401(k) Plan

The Institute maintains a defined-contribution retirement plan established under Section 401(k) of the Internal Revenue Code that covers substantially all employees, each of whom must meet certain eligibility requirements as to age and length of service. For the years ended December 31, 2018 and 2017, the Institute's expense related to contributions to the 401(k) plan was $1,268,741 and $1,149,122, respectively.

Deferred Compensation Plan

In April 2004, the Institute established a deferred compensation plan under Section 457(b) of the Internal Revenue Code for certain eligible employees, defined by the Institute as its executive team. Under the terms of the 457(b) Plan, eligible employees may contribute amounts through a salary-reduction agreement. The Institute does not contribute to this plan.

Employee Postretirement Benefit Plan

The Institute currently offers eligible retirees the opportunity to participate in a medical plan. Substantially all employees may become eligible for these benefits provided that the employee was 65 years of age and has at least 10 consecutive full years of service prior to retirement. The following table sets forth the plan's unfunded status and amounts recognized in the balance sheet at December 31:

	2018	2017
Accumulated postretirement benefit obligation	$ (544,560)	$ (627,134)
Plan assets at fair value	-	-
Funded status	$ (544,560)	$ (627,134)
Assets and liabilities recognized in the balance sheets		
Current liabilities	$ 544,560	$ 627,134
Net periodic postretirement benefit cost	76,024	61,188
Employer contributions and benefits paid	5,882	4,460
Amounts recognized in change in net assets not yet recognized as components of net periodic benefit cost consist of:		
Net loss (gain)	(180,172)	(222,300)
Prior service cost	423,028	440,636
	$ (242,856)	$ (218,336)

	2018	2017
Weighted average assumptions to determine benefit costs		
Discount rate	3.58%	4.14%
Expected return on plan assets	N/A	N/A
Health cost trend rate	2.50%	3.00%
Weighted average assumptions used to determine benefit obligations		
Discount rate	4.27%	3.58%
Rate of compensation increase	2.50%	3.00%

The weighted average annual assumed rate of increase in the per capita cost of covered benefits (*i.e.*, health care cost trend rate) is 2.5% for 2018 and is based on the Consumer Price Index. The health care cost trend rate assumption has a significant effect on the amounts reported.

The Institute expects to contribute approximately $8,000 to its postretirement health insurance plan in fiscal year 2019.

The following benefit payments, which reflect expected future service, are expected to be paid as follows:

2019	$ 8,000
2020	9,000
2021	10,000
2022	13,000
2023	17,000
2024 through 2028	132,000

Note 8: Commitments and Contingencies

A. The Institute leases office space in New York and for its regional office in Washington DC. The Institute is obligated under noncancelable operating lease agreements expiring 2024 and 2030.

Future minimum lease payments are as follows:

2019	$ 961,057
2020	985,140
2021	1,035,493
2022	1,060,966
2023	1,036,795
Thereafter	4,976,019
	$ 10,055,470

Rent expense for the years ended December 31, 2018 and 2017 was $876,399 and $683,002, respectively. The deferred rent liability was $215,265 and $234,372 for the years ended December 31, 2018 and 2017, respectively.

The Financial Accounting Standards Board amended its standard related to the accounting for leases. Under the new standard, lessees will now be required to recognize substantially all leases on the balance sheet as both a right-of-use asset and a liability. The new standard also contains amended guidance regarding the identification of embedded leases in service contracts and the identification of lease and nonlease components in an arrangement. The new standard is effective for annual periods beginning after December 15, 2019, and any interim periods within annual reporting periods that begin after December 15, 2020. The Institute is evaluating the impact the standard will have on the financial statements; however, the standard is expected to have a material impact on the financial statements due to the recognition of additional assets and liabilities for operating leases.

B. Government-funded activities are subject to audit by the applicable granting agencies. As of December 31, 2018 and 2017, no such audits had been undertaken at the Institute, and management has no reason to believe that unaudited projects would result in any material obligations.

C. The Institute may be party to possible claims which, in the opinion of management and legal counsel, will not have a material adverse impact on the financial position of the organization.

D. The Institute has a noncontributory defined benefit postretirement health plan whereby it agrees to provide certain postretirement benefits to eligible employees. The benefit obligation is the actuarial present value of all benefits attributed to service rendered prior to the valuation date based on the projected unit credit cost method. It is reasonably possible that events could occur that would change the estimated amount of this liability materially in the near term.

Note 9: Concentrations

Financial instruments that potentially subject the Institute to concentrations of credit risk consist principally of cash and cash-equivalent accounts deposited in financial institutions, the balances of which, from time to time, may exceed federal insurance limits. As of December 31, 2018 and 2017 cash balance held over the federal insurance limit of $250,000 was approximately $3.2 million and $1.6 million, respectively.

Approximately 53% and 50% of the Institute's support came from one agency for the year ended December 31, 2018 and 2017, respectively.

Note 10: Endowment Funds

General

The Institute's endowment consists of donor-restricted endowment funds to be used for general operations. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Board of Directors of the Institute has adopted the New York Prudent Management of Institutional Funds Act (NYPMIFA). NYPMIFA moves away from the "historic dollar value" standard, and permits charities to apply a spending policy to endowments based on certain specified standards of prudence. The Institute is governed by the NYPMIFA spending policy, which establishes a standard maximum prudent spending limit of 7%. As a result of this interpretation, the Institute classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the organization in a manner consistent with the standards of prudence prescribed by NYPMIFA.

Return Objectives and Risk Parameters

The Institute has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by endowment, while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Institute must hold in perpetuity. Under this policy, as approved by the Board, the endowment assets are invested in a manner that is intended to produce acceptable rates of return, with a moderate level of investment risk.

Strategies Employed for Achieving Objectives

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 to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and Investment Objectives

The Institute has a policy for appropriating for distribution each year, depending on fiscal need, up to 5.5% of certain donor restricted endowments' average fair value over the prior 12 quarters through the year end preceding the year in which the distribution is planned. During 2018 and 2017, the Institute's board of directors approved an appropriation of 3% of the average fair value of the funds for distribution.

Funds with Deficiencies

The Institute does not have any funds with deficiencies.

Endowment Net Asset Composition by Type of Fund as of December 31, 2018

The composition of net assets by type of endowment fund at December 31, 2018 and 2017, was:

	2018	2017
	With Donor Restrictions	
Donor-restricted endowment funds		
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	$ 4,855,238	$ 4,855,238
Accumulated investment gains	1,632,677	2,296,599
Total endowment funds	$ 6,487,915	$ 7,151,837

Change in endowment net assets for the years ended December 31, 2018 and 2017 was:

	2018	2017
	With Donor Restrictions	
Endowment net assets, beginning of year	$ 7,151,837	$ 6,200,727
Investment return, net	(428,239)	1,169,827
Amounts appropriated for expenditure	(235,683)	(218,717)
Endowment net assets, end of year	$ 6,487,915	$ 7,151,837

Note 11: Board-Designated Reserves

	2018	2017
Board-designated reserves, beginning of year	$ 8,269,833	$ 6,726,788
Investment return, net	(393,069)	1,543,045
Board-designated reserves, end of year	$ 7,876,764	$ 8,269,833

Note 12: Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of December 31, 2018 and 2017, comprise the following:

	2018	2017
Financial Assets		
Cash	$ 3,516,345	$ 1,804,117
Investments	33,562,706	33,112,913
Grants receivable	27,343,496	48,275,821
Less: grant receivable due in over a year net of discount	(10,925,589)	(26,498,819)
Net grant receivable	16,417,907	21,777,002
Other receivable	66,613	34,725
Total financial assets	53,563,571	56,728,757
Donor Imposed Restrictions		
Restricted funds, net of long-term grants receivable	(32,352,770)	(34,480,333)
Endowments and accumulated investment gain	(6,487,915)	(7,151,837)
Net Financial Assets After Donor-Imposed Restrictions	14,722,886	15,096,587
Internal Designations		
Board-designated funds	(7,876,764)	(8,269,833)
Financial assets available to meet cash needs for general expenditures within one year	$ 6,846,122	$ 6,826,754

The Institute receives significant contributions restricted by donors and considers contributions restricted for programs which are ongoing, major and central to its annual operations to be available to meet cash needs for general expenditures. For the years ended December 31, 2018 and 2017, restricted contributions of $32,352,770 and $34,480,333, respectively, could be included in financial assets available to meet cash needs for general expenditures as the Institute expects to meet the donor restriction within one year.

The Institute's endowment funds consist of donor-restricted endowments of $4,885,238, which is not available for general expenditure. Income from donor-restricted endowments is subject to an annual spending rate of 3% as described in *Note 10.*

As of December 31, 2018 and 2017, the Institute's internal designations comprise of board-designated funds of $7,876,764 and $8,269,833 subject to prior approval by the Board can be redesignated for general operating use. The Institute does not intend to spend its board-designated fund (other than amounts appropriated for general expenditure as part of the Board's annual budget approval and appropriation); however, these amounts could be made available if necessary.

The Institute manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged.

Note 13: Foreign Exchange Gain/Loss

In April 2016, the Institute received a four-year, £8,659,611 grant extension from the UK Department for International Development to conduct research on sexual and reproductive health needs and services in developing regions. At the time the grant was awarded, the exchange rate for the British pound to US dollar was over $1.40 and the total value of the award was approximately $12,500,000. However, the value of the pound declined significantly, to around $1.20, following the June 2016 referendum that triggered the process of the UK leaving the European Union. As of December 31, 2017, the Institute had a receivable of approximately £4.8 million which was valued at $1.35 (exchange rate prevailing as of December 31, 2017) resulting in an unrealized foreign exchange gain of approximately $613,000 for the year ended December 31, 2017. As of December 31, 2018, the Institute had a receivable of approximately £2.95 million which was valued at $1.27 (exchange rate prevailing as of December 31, 2018) resulting in an unrealized foreign exchange loss of approximately $205,000 for the year ended December 31, 2018.

In early 2019, the Institute entered into a hedging strategy whereby it can lock exchange rates for a specific period of time as to offset future foreign exchanges fluctuations.

Note 14: Significant Multi-Year Grants

In December 2017, the Institute was awarded $32.45 million in grants, most of which is to be spent in future years. A five-year, $14.55 million grant from a private foundation to support a six-state study to track changes in reproductive health financing and service provision and their impact on women's health; and a three-year, $17.9 million grant from a private foundation to support general operating expenses as well as a range of research projects, policy-tracking efforts and communications activities in the United States. In September 2017, the Institute was awarded a five-year, $7.5 million grant from the Dutch Ministry of Foreign Affairs to support international research and communications activities. While the total amounts of these grants were counted as income in 2017, the temporarily restricted net assets from these grants will be released beginning in 2017 and continuing over the next 3 to 5 years.

Note 15: Changes in Accounting Principles

In 2018, the Institute adopted ASU 2016-14, *Not-for-Profit Entities* (Topic 958): *Presentation of Financial Statements of Not-for-Profit Entities*. A summary of the changes is as follows:

Statement of Financial Position

- The statement of financial position distinguishes between two new classes of net assets—those with donor-imposed restrictions and those without. This is a change from the previously required three classes of net assets—unrestricted, temporarily restricted and permanently restricted.

Statement of Activities

- Expenses are reported by both nature and function in one location.
- Investment income is shown net of external and direct internal investment expenses. Disclosure of the expenses netted against investment income is no longer required.

Notes to the Financial Statements

- Enhanced quantitative and qualitative disclosures provide additional information useful in assessing liquidity and cash flows available to meet operating expenses for one year from the date of the statement of financial position.
- Amounts and purposes of Governing Board designations and appropriations as of the end of the period are disclosed.

This change had no impact on previously reported total change in net assets.

Note 16: Subsequent Events

Subsequent events were evaluated through June 24, 2019 which is the date the financial statements were issued.