

Guttmacher Institute, Inc.

**Independent Auditor's Report
and Financial Statements**

December 31, 2022 and 2021



Guttmacher Institute, Inc.

December 31, 2022 and 2021

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Independent Auditor's Report

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

Opinion

We have audited the financial statements of Guttmacher Institute, Inc., which comprise the statements of financial position as of December 31, 2022 and 2021, and the related statements of activities, 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 Guttmacher Institute, Inc. 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 Guttmacher Institute, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit

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 Guttmacher Institute, Inc.'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 Guttmacher Institute, Inc.'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.

FORVIS,LLP

New York, New York
June 23, 2023

Guttmacher Institute, Inc.
Statements of Financial Position
December 31, 2022 and 2021

	2022	2021
Assets		
Cash and cash equivalents	\$ 6,389,189	\$ 7,770,089
Investments	51,096,631	43,170,890
Grants receivable, net of discount	4,364,841	10,566,327
Other receivable	282,810	54,435
Prepaid expenses and other assets	177,338	342,924
Security deposits	211,199	211,199
Right-of-use assets - operating leases	4,897,118	5,831,441
Fixed assets, net	8,623,134	8,958,370
Total assets	\$ 76,042,260	\$ 76,905,675
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 1,562,179	\$ 1,583,928
Postretirement benefits payable	523,857	772,139
Operating lease liabilities	5,513,244	6,445,800
Loans payable, net of unamortized debt issuance costs	7,363,829	7,856,990
Total liabilities	14,963,109	16,658,857
Net Assets		
Without donor restrictions		
Undesignated	22,460,327	8,634,345
Designated by the Board for reserves	9,844,127	13,116,571
Net investment in property and equipment, net of related debt	1,259,305	1,101,380
Total without donor restrictions	33,563,759	22,852,296
With donor restrictions		
Perpetual in nature	4,855,238	4,855,238
Time-restricted for future periods	7,216,036	10,519,699
Purpose restrictions	15,444,118	22,019,585
Total with donor restrictions	27,515,392	37,394,522
Total net assets	61,079,151	60,246,818
Total liabilities and net assets	\$ 76,042,260	\$ 76,905,675

Guttmacher Institute, Inc.
Statements of Activities
Years Ended December 31, 2022 and 2021

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Operating Revenues, Gains, and Other Support						
Contributions	\$ 3,498,128	\$ -	\$ 3,498,128	\$ 2,606,203	\$ -	\$ 2,606,203
Grants and contracts from U.S. government agencies	619,473	-	619,473	920,633	-	920,633
Grants from U.S. private organizations	-	11,748,772	11,748,772	-	17,763,007	17,763,007
Grants from foreign governments and institutions	-	1,042,331	1,042,331	-	9,370,299	9,370,299
Publication income and other revenue	163,992	-	163,992	62,486	-	62,486
Net investment return (loss)	(22,369)	-	(22,369)	(8,334)	-	(8,334)
Net assets released from restriction	20,434,613	(20,434,613)	-	22,736,410	(22,736,410)	-
Total revenues, gains, and other support	<u>24,693,837</u>	<u>(7,643,510)</u>	<u>17,050,327</u>	<u>26,317,398</u>	<u>4,396,896</u>	<u>30,714,294</u>
Operating Expenses						
Program services						
Research	13,008,554	-	13,008,554	13,926,703	-	13,926,703
Public education	5,641,224	-	5,641,224	5,577,378	-	5,577,378
Public policy	2,338,199	-	2,338,199	2,105,339	-	2,105,339
Total program services	<u>20,987,977</u>	<u>-</u>	<u>20,987,977</u>	<u>21,609,420</u>	<u>-</u>	<u>21,609,420</u>
Supporting services						
Management and general	4,808,508	-	4,808,508	3,591,448	-	3,591,448
Fundraising	1,768,488	-	1,768,488	1,508,752	-	1,508,752
Total supporting services	<u>6,576,996</u>	<u>-</u>	<u>6,576,996</u>	<u>5,100,200</u>	<u>-</u>	<u>5,100,200</u>
Total operating expenses	<u>27,564,973</u>	<u>-</u>	<u>27,564,973</u>	<u>26,709,620</u>	<u>-</u>	<u>26,709,620</u>
Change in net assets before nonoperating contributions, foreign exchange loss, postretirement benefit plan adjustment, and investment income (loss), nonoperating	(2,871,136)	(7,643,510)	(10,514,646)	(392,222)	4,396,896	4,004,674
Contributions, transformative in nature, and bequests	15,533,333	-	15,533,333	-	-	-
Gain on forgiveness of PPP loan	-	-	-	3,043,300	-	3,043,300
Foreign exchange loss	-	(597,470)	(597,470)	-	(14,402)	(14,402)
Adjustment to minimum postretirement benefit liability	344,729	-	344,729	217,874	-	217,874
Net periodic benefit cost and postretirement benefit less service costs	(57,902)	-	(57,902)	(39,646)	-	(39,646)
Investment income (loss), nonoperating	(2,237,561)	(1,638,150)	(3,875,711)	1,318,011	1,070,119	2,388,130
Change in Net Assets	<u>10,711,463</u>	<u>(9,879,130)</u>	<u>832,333</u>	<u>4,147,317</u>	<u>5,452,613</u>	<u>9,599,930</u>
Net Assets, Beginning of Year	<u>22,852,296</u>	<u>37,394,522</u>	<u>60,246,818</u>	<u>18,704,979</u>	<u>31,941,909</u>	<u>50,646,888</u>
Net Assets, End of Year	<u>\$ 33,563,759</u>	<u>\$ 27,515,392</u>	<u>\$ 61,079,151</u>	<u>\$ 22,852,296</u>	<u>\$ 37,394,522</u>	<u>\$ 60,246,818</u>

Guttmacher Institute, Inc.
Statements of Functional Expenses
Years Ended December 31, 2022 and 2021

	2022							
	Program Services				Supporting Services			
	Research	Public Education	Public Policy	Total	Management and General	Fundraising	Total	Total
Salaries	\$ 5,905,790	\$ 2,830,975	\$ 969,640	\$ 9,706,405	\$ 2,559,922	\$ 792,764	\$ 3,352,686	\$ 13,059,091
Payroll taxes and employee benefits	1,881,221	901,775	308,868	3,091,864	827,062	252,526	1,079,588	4,171,452
Total salaries and related expenses	7,787,011	3,732,750	1,278,508	12,798,269	3,386,984	1,045,290	4,432,274	17,230,543
Printing and artwork	619	9,448	-	10,067	4,360	60,547	64,907	74,974
Data processing	10,496	38,467	-	48,963	225,096	9,269	234,365	283,328
Professional fees	3,686,164	1,061,059	607,751	5,354,974	270,877	338,640	609,517	5,964,491
Occupancy and office costs (includes interest on long-term financing of \$160,990)	948,912	590,156	337,082	1,876,150	245,894	157,580	403,474	2,279,624
Information technology	86,676	29,027	9,665	125,368	76,650	26,123	102,773	228,141
Postage and shipping	4,294	-	27	4,321	9,091	49,039	58,130	62,451
Conferences, meetings, and travel	111,222	23,998	24,949	160,169	337,731	985	338,716	498,885
Dues, subscriptions, and publications	52,351	3,446	25,713	81,510	60,888	32,750	93,638	175,148
Miscellaneous	2,796	432	2,291	5,519	53,091	5,576	58,667	64,186
Total expenses before depreciation and amortization	12,690,541	5,488,783	2,285,986	20,465,310	4,670,662	1,725,799	6,396,461	26,861,771
Depreciation and amortization	318,013	152,441	52,213	522,667	137,846	42,689	180,535	703,202
Total operating expenses	13,008,554	5,641,224	2,338,199	20,987,977	4,808,508	1,768,488	6,576,996	27,564,973
Net periodic benefit cost and postretirement benefit less service costs	26,168	12,544	4,295	43,007	11,382	3,513	14,895	57,902
Total expenses	<u>\$ 13,034,722</u>	<u>\$ 5,653,768</u>	<u>\$ 2,342,494</u>	<u>\$ 21,030,984</u>	<u>\$ 4,819,890</u>	<u>\$ 1,772,001</u>	<u>\$ 6,591,891</u>	<u>\$ 27,622,875</u>

Guttmacher Institute, Inc.
Statements of Functional Expenses (Continued)
Years Ended December 31, 2022 and 2021

	2021							
	Program Services				Supporting Services			
	Research	Public Education	Public Policy	Total	Management and General	Fundraising	Total	Total
Salaries	\$ 6,270,766	\$ 3,307,289	\$ 1,111,876	\$ 10,689,931	\$ 2,096,978	\$ 684,160	\$ 2,781,138	\$ 13,471,069
Payroll taxes and employee benefits	2,004,521	1,057,211	355,423	3,417,155	672,991	218,699	891,690	4,308,845
Total salaries and related expenses	8,275,287	4,364,500	1,467,299	14,107,086	2,769,969	902,859	3,672,828	17,779,914
Printing and artwork	1,800	27,410	-	29,210	-	8,804	8,804	38,014
Data processing	20,566	27,281	22,627	70,474	128,759	6,307	135,066	205,540
Professional fees	4,189,538	411,746	194,858	4,796,142	94,909	363,480	458,389	5,254,531
Occupancy and office costs (includes interest on long-term financing of \$171,330)	866,398	480,607	311,472	1,658,477	236,497	108,991	345,488	2,003,965
Information technology	99,137	52,784	7,461	159,382	89,451	16,961	106,412	265,794
Postage and shipping	8,848	970	-	9,818	6,679	24,861	31,540	41,358
Conferences, meetings, and travel	38,536	18,531	8,020	65,087	63,750	3,497	67,247	132,334
Dues, subscriptions, and publications	46,676	3,307	29,471	79,454	76,655	13,409	90,064	169,518
Miscellaneous	41,760	11,893	4,172	57,825	11,697	22,689	34,386	92,211
Total expenses before depreciation and amortization	13,588,546	5,399,029	2,045,380	21,032,955	3,478,366	1,471,858	4,950,224	25,983,179
Depreciation and amortization	338,157	178,349	59,959	576,465	113,082	36,894	149,976	726,441
Total operating expenses	13,926,703	5,577,378	2,105,339	21,609,420	3,591,448	1,508,752	5,100,200	26,709,620
Net periodic benefit cost and postretirement benefit less service costs	18,452	9,732	3,272	31,456	6,177	2,013	8,190	39,646
Total expenses	<u>\$ 13,945,155</u>	<u>\$ 5,587,110</u>	<u>\$ 2,108,611</u>	<u>\$ 21,640,876</u>	<u>\$ 3,597,625</u>	<u>\$ 1,510,765</u>	<u>\$ 5,108,390</u>	<u>\$ 26,749,266</u>

Guttmacher Institute, Inc.
Statements of Cash Flows
Years Ended December 31, 2022 and 2021

	2022	2021
Operating Activities		
Change in net assets	\$ 832,333	\$ 9,599,930
Items not requiring (providing) operating cash flows		
Depreciation and amortization	703,202	726,441
Amortization of debt issuance costs (included in interest expense)	10,812	11,545
Net realized and unrealized losses (gains) on investments	4,660,146	(1,953,556)
Changes in discount on long-term receivables	6,908	(2,139)
Forgiveness on PPP Loan	-	(3,043,300)
Changes in		
Grants receivable	6,194,578	(4,674,485)
Other receivables	(228,375)	601,647
Prepaid expenses and other assets	165,586	(88,754)
Accounts payable and accrued expenses	(21,749)	60,941
Postretirement benefits payable	(248,282)	(116,485)
Deferred rent payable	1,767	25,977
	<u>12,076,926</u>	<u>1,147,762</u>
Investing Activities		
Purchase of fixed assets	(367,966)	(200,727)
Proceeds from sales of investments	28,805,683	40,435,149
Purchases of investments	(41,391,570)	(34,702,826)
	<u>(12,953,853)</u>	<u>5,531,596</u>
Financing Activities		
Repayment of loans	(503,973)	(493,633)
	<u>(503,973)</u>	<u>(493,633)</u>
Net Change in Cash and Cash Equivalents	(1,380,900)	6,185,725
Cash and Cash Equivalents, Beginning of Year	<u>7,770,089</u>	<u>1,584,364</u>
Cash and Cash Equivalents, End of Year	<u>\$ 6,389,189</u>	<u>\$ 7,770,089</u>
Supplemental Cash Flows Information		
Interest paid	\$ 160,990	\$ 171,330

Guttmacher Institute, Inc.

Notes to Financial Statements

December 31, 2022 and 2021

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 (GAAP) 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. 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. Gains and losses on the sale of securities are recorded on the trade date and are determined using the specific identification.

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 donor restricted and board-designated/director 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.

Guttmacher Institute, Inc.

Notes to Financial Statements

December 31, 2022 and 2021

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, 2022 and 2021, 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.

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, 2022 and 2021.

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.

Guttmacher Institute, Inc.

Notes to Financial Statements

December 31, 2022 and 2021

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 corpus be maintained in perpetuity.

Contributions

Contributions are provided to the Institute either with or without restrictions placed on the gift by the donor. Revenues and net assets are separately reported to reflect the nature of those gifts – with or without donor restrictions. The value recorded for each contribution is recognized as follows:

Nature of the Gift	Value Recognized
<i>Conditional gifts, with or without restriction</i>	
Gifts that depend on the Institute overcoming a donor-imposed barrier to be entitled to the funds	Not recognized until the gift becomes unconditional, <i>i.e.</i> , the donor-imposed barrier is met
<i>Unconditional gifts, with or without restriction</i>	
Received at date of gift – cash and other assets	Fair value
Received at date of gift – property, equipment, and long-lived assets	Estimated fair value
Expected to be collected within one year	Net realizable value
Collected in future years	Initially reported at fair value determined using the discounted present value of estimated future cash flows technique

In addition to the amount initially recognized, revenue for unconditional gifts to be collected in future years is also recognized each year as the present-value discount is amortized using the level-yield method.

When a donor-stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Absent explicit donor stipulations for the period of time that long-lived assets must be held, expirations of restrictions for gifts of land, buildings, equipment, and other long-lived assets are reported when those assets are placed in service.

The Institute elects to recognize in net assets without donor restrictions, unconditional and conditional contributions and investment income with donor restrictions that are received and the restriction is met in the same period.

Guttmacher Institute, Inc.

Notes to Financial Statements

December 31, 2022 and 2021

Government Grants

Support funded by grants is recognized as the Institute meets the conditions prescribed by the grant agreement, performs the contracted services, or 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 and other methods.

Leases

The Institute determines if an arrangement is a lease or contains a lease at inception. Leases result in the recognition of right-of-use (ROU) assets and lease liabilities on the statements of financial position. ROU assets represent the right to use an underlying asset for the lease term, and lease liabilities represent the obligation to make lease payments arising from the lease, measured on a discounted basis. The Institute determines lease classification as operating or finance at the lease commencement date.

The Institute combines lease and nonlease components, such as common area and other maintenance costs, in calculating the ROU assets and lease liabilities for its office buildings. At lease inception, the lease liability is measured at the present value of the lease payments over the lease term. The ROU asset equals the lease liability adjusted for any initial direct costs, prepaid or deferred rent, and lease incentives. The Institute has made a policy election to use a risk-free rate (the rate of a zero-coupon U.S. Treasury instrument) for the initial and subsequent measurement of all lease liabilities. The risk-free rate is determined using a period comparable with the lease term.

The lease term may include options to extend or to terminate the lease that the Institute is reasonably certain to exercise. Lease expense is generally recognized on a straight-line basis over the lease term.

The Institute has elected not to record leases with an initial term of 12 months or less on the statements of financial position. Lease expense on such leases is recognized on a straight-line basis over the lease term.

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 contributions, transformative in nature and bequests, gain on forgiveness of Paycheck Protection Program (PPP) (created under the CARES Act of 2020 and extended under the *2021 Consolidated Appropriations Act*) loan, foreign exchange gain (loss), net periodic benefit cost and postretirement benefit less service costs, adjustment to minimum postretirement benefit liability, and investment income (losses) earned on endowment funds and board-designated funds from its measure of operations.

Guttmacher Institute, Inc.

Notes to Financial Statements

December 31, 2022 and 2021

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.

Note 2: Grant Reimbursements Receivable and Future Commitments

The Institute receives its grant support through periodic claims filed with the respective funding sources, not to exceed a limit specified in the funding agreement. Since the financial statements of the Institute are prepared on the accrual basis, all earned portions of the grants not yet received as of December 31, 2022 have been recorded as receivables. The conditional amounts will be considered unconditional and recorded as grant revenues when the Institute incurs qualifying expenses. The following are the grant commitments that extend beyond December 31, 2022 from U.S. Governmental grants:

Grants	Term	Grant Amount	Earned or Forfeited Through 2022	Funding Available
Improving methods and measures of reproductive health outcomes	10/01/2018-05/31/2023	\$ 2,517,182	\$ 2,093,582	\$ 423,600

Note 3: 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

Guttmacher Institute, Inc.

Notes to Financial Statements

December 31, 2022 and 2021

Recurring Measurements

The following tables present the fair value measurements of assets and liabilities recognized in the accompanying statements of financial position 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, 2022 and 2021:

	Total	2022	
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Fair Value Measurement Using Significant Other Observable Inputs (Level 2)
Assets			
Investments			
Stock, common shares	\$ 4,253,471	\$ 4,253,471	\$ -
Open-end mutual funds	8,398,825	8,398,825	-
Alternative mutual funds	1,466,966	1,466,966	-
Exchange traded funds	5,750,955	5,750,955	-
Real estate investment trusts	24,215	24,215	-
Corporate debt	18,057,124	15,434,625	2,622,499
U.S. Government securities	949,235	653,775	295,460
	<u>38,900,791</u>	<u>\$ 35,982,832</u>	<u>\$ 2,917,959</u>
	<u>12,195,840</u>		
	<u>\$ 51,096,631</u>		

Guttmacher Institute, Inc.

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	2021		
	Total	Fair Value Measurement Using Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
Assets			
Investments			
Stock, common shares	\$ 5,854,134	\$ 5,854,134	\$ -
Open-end mutual funds	5,709,581	5,709,581	-
Alternative mutual funds	1,700,431	1,700,431	-
Exchange traded funds	5,890,196	5,890,196	-
Corporate debt	6,640,432	-	6,640,432
U.S. Government securities	4,637,859	-	4,637,859
Total investments	30,432,633	<u>\$ 19,154,342</u>	<u>\$ 11,278,291</u>
Money market accounts	<u>12,738,257</u>		
Total investments	<u>\$ 43,170,890</u>		

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.

Note 4: Grants Receivable

As of December 31, 2022 and 2021, grants receivable consisted of the following:

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Due within one year	\$ 10,000	\$ 4,128,453	\$ 4,138,453
Due in one to five years	-	238,524	238,524
Total	10,000	4,366,977	4,376,977
Less discount to present value	-	(12,136)	(12,136)
Net	<u>\$ 10,000</u>	<u>\$ 4,354,841</u>	<u>\$ 4,364,841</u>

Guttmacher Institute, Inc.

Notes to Financial Statements

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As of December 31, 2022, approximately 94% of grants receivables were due from three organizations.

	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Due within one year	\$ -	\$ 9,909,098	\$ 9,909,098
Due in one to five years	-	662,457	662,457
Total	-	10,571,555	10,571,555
Less discount to present value	-	(5,228)	(5,228)
Net	<u>\$ -</u>	<u>\$ 10,566,327</u>	<u>\$ 10,566,327</u>

As of December 31, 2021, approximately 66% of grants receivables were due from three organizations.

Note 5: Fixed Assets

Fixed assets at December 31, 2022 and 2021 consist of:

	2022	2021
Commercial condominium	\$ 11,966,673	\$ 11,966,673
Furniture and fixtures	1,839,905	1,769,962
Computer hardware and software	3,562,421	3,323,648
Leasehold improvements	<u>2,460,444</u>	<u>2,401,194</u>
Total cost	19,829,443	19,461,477
Less accumulated depreciation and amortization	<u>(11,206,309)</u>	<u>(10,503,107)</u>
Net book value	<u>\$ 8,623,134</u>	<u>\$ 8,958,370</u>

Note 6: Loans Payable and 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.

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On September 8, 2020, the Institute refinanced the Series 2007B bonds with Chase Bank. The new loan total refinanced is \$8,550,000 due on or before September 8, 2035. The new financing has a fixed interest rate of 2.050%. The loan agreement contains a financial covenant requiring that at any fiscal year-end, the two-year average of the debt service ratio must be greater than 1.20 to 1.00.

The unamortized debt issuance cost was \$66,629 and \$77,441 as of December 31, 2022 and 2021, respectively.

Interest expense was \$160,990 and \$171,330 for the years ended December 31, 2022 and 2021, respectively, which includes amortization of debt issuance costs of \$10,812 and \$11,545, respectively.

Future minimum payments are as follows:

<u>Year Ending December 31, 2022</u>	
2023	\$ 664,963
2024	664,963
2025	664,963
2026	664,963
2027	664,963
Thereafter	<u>4,105,643</u>
	7,430,458
Less unamortized debt issuance costs	<u>(66,629)</u>
	<u>\$ 7,363,829</u>

Guttmacher Institute, Inc.

Notes to Financial Statements

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Note 7: Net Assets with Donor Restrictions

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

	<u>2022</u>	<u>2021</u>
Subject to expenditure for specified purposes		
Research	\$ 11,441,194	\$ 15,821,943
Public education	2,161,356	3,383,608
Public policy	1,638,214	2,707,034
Executive	<u>203,354</u>	<u>107,000</u>
	<u>15,444,118</u>	<u>22,019,585</u>
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	<u>4,334,320</u>	<u>5,729,713</u>
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	<u>2,881,716</u>	<u>4,789,986</u>
	<u>7,736,954</u>	<u>9,645,224</u>
	<u>\$ 27,515,392</u>	<u>\$ 37,394,522</u>

Guttmacher Institute, Inc.

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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:

	<u>2022</u>	<u>2021</u>
Subject to expenditure for specified purposes		
Research	\$ 9,455,127	\$ 11,258,881
Public education	2,237,398	2,006,473
Public policy	1,584,409	1,575,177
Executive	151,141	-
	<u>13,428,075</u>	<u>14,840,531</u>
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	6,736,418	7,637,555
Earnings appropriated for expenditure	270,120	258,324
	<u>7,006,538</u>	<u>7,895,879</u>
	<u>\$ 20,434,613</u>	<u>\$ 22,736,410</u>

Note 8: 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 length of service. For the years ended December 31, 2022 and 2021, the Institute's expense related to contributions to the 401(k) plan was \$1,166,077 and \$1,266,547, 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. This is employee funded and the Institute does not contribute to this plan.

Guttmacher Institute, Inc.

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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 statements of financial position at December 31:

	2022	2021
Accumulated postretirement benefit obligation	\$ (523,857)	\$ (772,139)
Plan assets at fair value	-	-
Funded status	\$ (523,857)	\$ (772,139)
Liabilities recognized in the statements of financial position	\$ 523,857	\$ 772,139
Net periodic postretirement benefit cost	109,054	101,389
Employer contributions and benefits paid	12,425	13,361
Amounts recognized in change in net assets not yet recognized as components of net periodic benefit cost consist of:		
Net loss (gain)	\$ (529,151)	\$ (226,125)
Prior service cost	334,987	352,595
	\$ (194,164)	\$ 126,470

Other changes in benefit obligations recognized in change in net assets:

	2022	2021
Amounts arising during the period		
Net loss	\$ -	\$ -
Net prior services cost	17,608	17,608
Amounts reclassified as components of net periodic benefit cost of the period		
Net (gain) loss	(308,861)	(186,905)
Net prior services cost	-	-
Transition obligation	-	-

The estimated net gain, prior service cost for the defined benefit pension plans that will be amortized into net periodic benefit cost over the next fiscal year in 2023 and 2022 is \$19,071 and \$5,835, respectively.

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Significant assumptions include:

	2022	2021
Weighted average assumptions to determine benefit costs		
Discount rate	2.83%	2.48%
Expected return on plan assets	N/A	N/A
Health cost trend rate	2.25%	2.25%
Weighted average assumptions used to determine benefit obligations		
Discount rate	5.02%	2.83%
Rate of compensation increase	2.25%	2.25%

The weighted average annual assumed rate of increase in the per capita cost of covered benefits (*i.e.*, health care cost trend rate) is 2.25% for 2022 and 2021 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's funding policy is to make the minimum annual contribution that is required by applicable regulations, plus such amounts as the Institute may determine to be appropriate from time to time. The Institute expects to contribute approximately \$15,000 to its postretirement health insurance plan in fiscal year 2023.

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

2023	\$	15,000
2024		15,000
2025		17,000
2026		21,000
2027		24,000
2028 through 2032		149,000

Note 9: Contingencies

Government-funded activities are subject to audit by the applicable granting agencies. 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 for the years then ended December 31, 2022 and 2021.

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.

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The Institute invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the accompanying statements of financial position.

Note 10: 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, 2022, cash balance held over the federal insurance limit of \$250,000 was approximately \$5.9 million.

Approximately 79% of the Institute's support came exclusively from the one-time extraordinary gift from MacKenzie Scott. For the year ended December 31, 2021, approximately 35% of the Institute's support came from two funders.

Note 11: Leases

Nature of Leases

The Institute leases office space in New York City and Washington DC under noncancelable operating leases. The leases terminate on various dates through June 1, 2030. Termination of the leases is generally prohibited unless there is a violation under the lease agreement.

Quantitative Disclosures

The lease cost and other required information for the year ended December 31, 2022 and 2021 are:

	<u>2022</u>	<u>2021</u>
Operating lease cost	\$ 1,128,333	\$ 1,086,541
Other information		
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows from operating leases	\$ 1,042,396	\$ 1,016,924
Weighted-average remaining lease term		
Operating leases	6 years	7 years
Weighted-average discount rate		
Operating leases	1.85%	1.84%

Guttmacher Institute, Inc.
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Future minimum lease payments and reconciliation to the combined statement of financial position at December 31, 2022 are as follows:

	Operating Leases
2023	\$ 1,018,225
2024	839,801
2025	869,511
2026	920,122
2027	616,945
Thereafter	1,603,546
Total future undiscounted lease payments	5,868,150
Less interest	(354,906)
Lease liabilities	\$ 5,513,244

Note 12: Endowment Funds

General

The Institute maintains a donor-restricted and board-designated/director endowment. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Additionally, in accordance with the *New York Prudent Management of Institutional Funds Act* (NYPMIFA), the Institute considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. Duration and preservation of the fund
2. Purposes of the Institute and the fund
3. General economic conditions
4. Possible effect of inflation and deflation
5. Expected total return from investment income and appreciation or depreciation of investments
6. Other resources of the Institute
7. Where appropriate and where circumstances would otherwise warrant alternatives to expenditure of the endowment fund, given due consideration to the effect that such alternatives may have on the Institute
8. Investment policies of the Institute

Guttmacher Institute, Inc.

Notes to Financial Statements

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Interpretation of Relevant Law

The Board of Directors of the Institute has adopted 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 perpetually restricted net assets (a) the original value of gifts donated to the perpetual endowment, (b) the original value of subsequent gifts to the perpetual endowment, and (c) accumulations to the perpetual 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 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

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 2022 and 2021, 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.

Guttmacher Institute, Inc.
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Endowment Net Asset Composition by Type of Fund

The composition of net assets by type of endowment fund at December 31, 2022 and 2021 was:

	<u>2022</u>	<u>2021</u>
	<u>With Donor Restrictions</u>	
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	<u>2,881,716</u>	<u>4,789,986</u>
Total endowment funds	<u>\$ 7,736,954</u>	<u>\$ 9,645,224</u>

Change in endowment net assets for the years ended December 31, 2022 and 2021 was:

	<u>2022</u>	<u>2021</u>
	<u>With Donor Restrictions</u>	
Endowment net assets, beginning of year	\$ 9,645,224	\$ 8,833,429
Investment return, net	(1,638,150)	1,070,119
Amounts appropriated for expenditure	<u>(270,120)</u>	<u>(258,324)</u>
Endowment net assets, end of year	<u>\$ 7,736,954</u>	<u>\$ 9,645,224</u>

In 2022 and 2021, the Board approved appropriations of \$1,568,216 and \$582,284, respectively, to be released from the board-designated/director endowment to offset costs related to expenditures for a specified purpose.

	<u>2022</u>	<u>2021</u>
	<u>Board Designated/Director</u>	
Net assets, beginning of the year	\$ 13,116,571	\$ 12,380,844
Bequests	533,333	-
Investment return, net	(2,237,561)	1,318,011
Released by the Board of Directors	<u>(1,568,216)</u>	<u>(582,284)</u>
Net assets, end of the year	<u>\$ 9,844,127</u>	<u>\$ 13,116,571</u>

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Notes to Financial Statements
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Note 13: 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, 2022 and 2021, comprise the following:

	<u>2022</u>	<u>2021</u>
Financial assets		
Cash	\$ 6,389,189	\$ 7,770,089
Investments	51,096,631	43,170,890
Grants receivable, net	4,364,841	10,566,327
Other receivable	<u>282,810</u>	<u>54,435</u>
Total financial assets	62,133,471	61,561,741
Donor-imposed restrictions		
Restricted funds	(15,444,118)	(22,019,585)
Endowments and accumulated investment gain	<u>(7,736,954)</u>	<u>(9,645,224)</u>
Financial assets after deduction of donor-imposed restrictions	38,952,399	29,896,932
Internal designations		
Board-designated funds	<u>(9,844,127)</u>	<u>(13,116,571)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 29,108,272</u>	<u>\$ 16,780,361</u>

The Institute receives significant contributions restricted by donors for programmatic purposes and has deducted those amounts which their purposes have not yet been satisfied from financial assets available to meet cash needs for general expenditure. Additionally, it does not consider its donor endowment or board-designated funds to be available for general expenditure until they have been appropriated for expenditure and therefore has also deducted these amounts from financial assets available to meet cash needs for general expenditure.

At December 31, 2022 and 2021, the balance of the donor-restricted endowment is not available for general expenditure. Appropriations from donor-restricted endowments is subject to an annual spending rate of 3% as described in *Note 12*.

As of December 31, 2022 and 2021, the Institute's internal designations comprise of board-designated funds of \$9,844,127 and \$13,116,571, respectively, 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.

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Note 14: Subsequent Events

Subsequent events were evaluated through June 23, 2023, which is the date the financial statements were available to be issued.