

**MANHATTAN INSTITUTE FOR POLICY RESEARCH, INC.**

**Financial Statements**

**For the Year Ended September 30, 2020**

 **BUCHBINDER**

**MANHATTAN INSTITUTE FOR POLICY RESEARCH, INC.**  
**Financial Statements**  
**For the Year Ended September 30, 2020**

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## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Manhattan Institute for Policy Research, Inc.

### Report on the Financial Statements

We have audited the accompanying financial statements of Manhattan Institute for Policy Research, Inc. (the "Institute"), which comprise the statement of financial position as of September 30, 2020, 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.

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## Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Manhattan Institute for Policy Research, Inc. as of September 30, 2020 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.

*Buchbinder Tunick & Company LLP*

BUCHBINDER TUNICK & COMPANY LLP

New York, NY  
May 18, 2021

**MANHATTAN INSTITUTE FOR POLICY RESEARCH, INC.**  
**Statement of Financial Position**  
**September 30, 2020**

**ASSETS**

Assets:	
Cash and cash equivalents	\$ 5,047,103
Investment securities	12,405,400
Unconditional promises to give	1,540,000 *
Prepaid expenses and other receivables	544,799
Inventory of books	43,555
Net property assets	102,828
Security deposits	<u>265,091</u>
 Total assets	 <u>\$ 19,948,776</u>

**LIABILITIES AND NET ASSETS**

Liabilities:	
Accounts payable	\$ 267,030
Accrued salaries and payroll taxes	347,031
Accrued pension	466,119
Deferred income	78,733
Deferred rent	<u>147,225</u>
 Total liabilities	 <u>1,306,138</u>
 Commitments	
Net assets:	
Without donor restrictions	18,335,546
With donor restrictions	<u>307,092</u>
 Total net assets	 <u>18,642,638</u>
 Total liabilities and net assets	 <u>\$ 19,948,776</u>

\* Payable over a period of one to five years.

See notes to financial statements.

**MANHATTAN INSTITUTE FOR POLICY RESEARCH, INC.**

**Statement of Activities**

**For the year ended September 30, 2020**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Operating revenue and other support:			
Contributions	\$ 8,012,985	\$ 7,704,508	\$ 15,717,493
Special event revenue (net of costs of donor benefits of \$-0-)	2,172,464	-	2,172,464
Publication sales, consulting income, royalties and other	90,510	-	90,510
Investment income (net of fees of \$4,805)	48,715	-	48,715
Realized gains on sale of investments	497,027	-	497,027
Unrealized (losses) on investments	<u>(72,481)</u>	<u>-</u>	<u>(72,481)</u>
	10,749,220	7,704,508	18,453,728
Net assets released from purpose restrictions	<u>7,970,063</u>	<u>(7,970,063)</u>	<u>-</u>
Total operating revenue and other support	<u>18,719,283</u>	<u>(265,555)</u>	<u>18,453,728</u>
Operating expenses:			
Program services:			
Research and publications	1,067,922	-	1,067,922
Education	1,284,907	-	1,284,907
Center for State and Local Leadership	2,804,278	-	2,804,278
e21-Economic Policies for the 21st Century	747,330	-	747,330
Center for Legal Policy	814,512	-	814,512
City Journal	3,573,876	-	3,573,876
Conferences and seminars	638,066	-	638,066
Center for Medical Progress	456,774	-	456,774
Energy Center	808,280	-	808,280
Special Projects	381,117	-	381,117
The Adam Smith Society	<u>2,023,041</u>	<u>-</u>	<u>2,023,041</u>
Total program services	<u>14,600,103</u>	<u>-</u>	<u>14,600,103</u>
Supporting activities:			
Fundraising	549,988	-	549,988
Communications	1,156,188	-	1,156,188
Management and general	<u>1,070,041</u>	<u>-</u>	<u>1,070,041</u>
Total supporting activities	<u>2,776,217</u>	<u>-</u>	<u>2,776,217</u>
Total expenses	<u>17,376,320</u>	<u>-</u>	<u>17,376,320</u>
Change in net assets	1,342,963	(265,555)	1,077,408
Net assets:			
Beginning of year	<u>16,992,583</u>	<u>572,647</u>	<u>17,565,230</u>
End of year	<u>\$ 18,335,546</u>	<u>\$ 307,092</u>	<u>\$ 18,642,638</u>

See notes to financial statements.

**MANHATTAN INSTITUTE FOR POLICY RESEARCH, INC.**  
**Statement of Functional Expenses**  
**For the year ended September 30, 2020**

	Program Services											
	Research and Publications	Education	Center for State and Local Leadership	e21-Economic Policies for the 21st Century	Center for Legal Policy	City Journal	Conferences and Seminars	Center for Medical Progress	Energy Center	Special Projects	The Adam Smith Society	Total Program Services
Payroll, including fellowships	\$ 761,932	\$ 839,465	\$ 1,791,202	\$ 488,849	\$ 529,367	\$ 2,104,169	\$ 270,334	\$ 304,412	\$ 473,126	\$ 217,870	\$ 892,377	\$ 8,673,103
Payroll taxes and employee benefits	119,101	185,899	233,697	92,754	107,173	384,495	54,920	60,395	88,223	10,132	177,745	1,514,534
Total personnel costs	881,033	1,025,364	2,024,899	581,603	636,540	2,488,664	325,254	364,807	561,349	228,002	1,070,122	10,187,637
Office rent, utilities and building maintenance	65,367	71,885	127,758	66,795	38,468	157,865	17,728	24,553	41,525	3,799	73,155	688,898
Chapter expenses	-	-	-	-	-	-	-	-	-	-	169,760	169,760
Professional fees	9,881	10,866	19,306	5,739	5,815	23,863	2,679	3,711	6,277	574	14,313	103,024
Consultants	12,872	14,194	103,915	11,976	8,170	194,477	3,491	14,452	10,677	748	18,703	393,675
Computer support	384	422	750	-	226	927	104	144	5,905	-	430	9,292
Events, speakers' fees, and internal meetings	1,301	10,369	247,156	20,415	6,890	8,744	247,327	21,691	7,513	140,076	361,845	1,073,327
Transportation, travel, and business meals	3,852	10,849	52,308	6,392	17,652	20,122	8,034	4,651	8,360	1,187	212,756	346,163
Telephone	2,105	2,314	6,152	1,222	1,239	9,354	891	790	1,787	2,341	7,684	35,879
Postage and mailing	2,622	2,528	4,535	1,685	1,532	22,371	803	892	1,458	136	7,369	45,931
Equipment	8,911	9,800	20,043	5,398	5,244	21,761	2,417	3,347	-	1,884	15,418	94,223
Writer's fees	-	-	50,405	4,267	-	265,667	-	-	-	-	-	320,339
Proofreaders	21,258	2,777	758	16,225	228	15,382	105	146	746	23	788	58,436
Photography, illustrations and artwork	1,280	1,108	4,099	1,303	959	61,400	3,537	293	495	45	2,559	77,078
Prepress and printing	3,170	3,281	9,065	2,350	8,988	156,354	13,719	1,789	1,871	172	10,964	211,723
Complimentary books	8,254	-	157	-	-	-	1,387	-	-	-	8,265	18,063
Marketing and advertising	19,386	21,318	39,692	11,259	11,409	47,479	5,258	7,282	12,315	1,127	26,036	202,561
Research	7,585	81,295	63,445	1,461	62,362	7,966	741	2,700	138,632	146	2,814	369,147
Royalties	3,673	-	-	-	-	-	-	-	-	-	-	3,673
Office expenses	9,669	10,687	19,442	6,151	5,660	58,633	3,148	3,528	5,991	548	14,107	137,564
Depreciation	5,319	5,850	10,393	3,089	3,130	12,847	1,443	1,998	3,379	309	5,953	53,710
Total expenses	<u>\$ 1,067,922</u>	<u>\$ 1,284,907</u>	<u>\$ 2,804,278</u>	<u>\$ 747,330</u>	<u>\$ 814,512</u>	<u>\$ 3,573,876</u>	<u>\$ 638,066</u>	<u>\$ 456,774</u>	<u>\$ 808,280</u>	<u>\$ 381,117</u>	<u>\$ 2,023,041</u>	<u>\$ 14,600,103</u>

See notes to financial statements.

**MANHATTAN INSTITUTE FOR POLICY RESEARCH, INC.**  
**Statement of Functional Expenses (Continued)**  
**For the year ended September 30, 2020**

	Supporting Activities					Total
	Total Program Services	Fundraising	Communications	Management and General	Total Supporting Activities	
Payroll, including fellowships	\$ 8,673,103	\$ 290,068	\$ 621,815	\$ 514,562	\$ 1,426,445	\$ 10,099,548
Payroll taxes and employee benefits	1,514,534	48,827	104,670	86,617	240,114	1,754,648
Total personnel costs	10,187,637	338,895	726,485	601,179	1,666,559	11,854,196
Office rent, utilities and building maintenance	688,898	84,932	182,066	150,664	417,662	1,106,560
Chapter expenses	169,760	-	-	-	-	169,760
Professional fees	103,024	12,838	17,284	145,126	175,248	278,272
Consultants	393,675	16,725	35,852	29,669	82,246	475,921
Computer support	9,292	499	11,306	885	12,690	21,982
Events, speakers' fees, and internal meetings	1,073,327	1,690	3,623	2,998	8,311	1,081,638
Transportation, travel, and business meals	346,163	24,223	28,819	15,012	68,054	414,217
Telephone	35,879	2,734	5,861	4,851	13,446	49,325
Postage and mailing	45,931	2,908	6,235	5,159	14,302	60,233
Equipment	94,223	11,579	24,821	20,540	56,940	151,163
Writer's fees	320,339	-	-	-	-	320,339
Proofreaders	58,436	504	1,081	894	2,479	60,915
Photography, illustrations and artwork	77,078	1,013	2,172	1,798	4,983	82,061
Prepress and printing	211,723	3,826	8,202	6,788	18,816	230,539
Complimentary books	18,063	-	296	-	296	18,359
Marketing and advertising	202,561	25,188	53,996	44,683	123,867	326,428
Research	369,147	3,268	7,004	5,796	16,068	385,215
Royalties	3,673	-	-	-	-	3,673
Office expenses	137,564	12,254	26,269	21,738	60,261	197,825
Depreciation	53,710	6,912	14,816	12,261	33,989	87,699
Total expenses	<u>\$ 14,600,103</u>	<u>\$ 549,988</u>	<u>\$ 1,156,188</u>	<u>\$ 1,070,041</u>	<u>\$ 2,776,217</u>	<u>\$ 17,376,320</u>

See notes to financial statements.

**MANHATTAN INSTITUTE FOR POLICY RESEARCH, INC.**  
**Statement of Cash Flows**  
**For the year ended September 30, 2020**

Cash flows from operating activities:	
Change in net assets	\$ 1,077,408
Adjustments to reconcile change in net assets to net cash (used in) operating activities:	
Depreciation	87,699
Realized (gains) on sale of investments	(497,027)
Unrealized losses on investments	72,481
(Increase) decrease in operating assets:	
Unconditional promises to give	(732,000)
Prepaid expenses and other receivables	(438,607)
Inventory of books	5,595
Increase (decrease) in operating liabilities:	
Accounts payable	(195,043)
Accrued salaries and payroll taxes	347,031
Accrued pension	(270,686)
Deferred income	16,411
Deferred rent	<u>(144,819)</u>
Net cash (used in) operating activities	<u>(671,557)</u>
Cash flows from investing activities:	
(Purchases) of investment securities	(6,144,465)
Proceeds from sales of investment securities	7,018,899
(Purchases) of property assets	<u>(83,814)</u>
Net cash provided by investing activities	<u>790,620</u>
Net increase in cash and cash equivalents	119,063
Cash and cash equivalents:	
Beginning of year	<u>4,928,040</u>
End of year	<u>\$ 5,047,103</u>

See notes to financial statements.

**MANHATTAN INSTITUTE FOR POLICY RESEARCH, INC.**  
**Notes to Financial Statements**  
**September 30, 2020**

**Note 1 - Nature of Operations**

Manhattan Institute for Policy Research, Inc. (the “Institute”) was incorporated as a charitable organization under the provisions of the Not-for-Profit Corporation Law of the State of New York in 1977. The Institute is a think tank whose mission is to develop and disseminate new ideas that foster greater economic choice and individual responsibility.

The Institute adheres to the New York Prudent Management of Institutional Funds Act, and the New York State Non-Profit Revitalization Act of 2013.

**Note 2 - Summary of Significant Accounting Policies**

**Basis of Accounting**

The Institute’s financial statements are presented on an accrual basis in accordance with accounting principles generally accepted in the United States of America.

**Basis of Presentation**

The Institute is required to report information regarding its financial position and activities according to the following net asset classifications: net assets without donor restrictions and net assets with donor restrictions.

**Use of Estimates**

The preparation of financial statements in accordance 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 revenue and expenses during the reporting periods. Actual results could differ from those estimates.

**Cash and Cash Equivalents**

For purposes of the statement of cash flows, the Institute considers investments with a maturity of three months or less at time of purchase to be cash equivalents.

**MANHATTAN INSTITUTE FOR POLICY RESEARCH, INC.**  
**Notes to Financial Statements (Continued)**  
**September 30, 2020**

**Note 2 - Summary of Significant Accounting Policies (Continued)**

**Investment Valuation and Income Recognition**

The Institute's investments are stated at fair value. 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. See note 4 for discussion of fair value measurements.

Investment income is reflected in the statement of activities as increases and decreases in unrestricted net assets unless their use is with donor restrictions. Investment income includes interest and dividends earned on investments. Realized and unrealized gains and losses on investments reported at fair value are reported as a separate line item in the accompanying statement of activities.

Contributions of securities are recorded at the net proceeds received because such securities are usually disposed of upon receipt.

**Unconditional Promises to Give**

Unconditional promises to give are recognized as revenue or gains in the period received. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

**Property Assets**

Property assets are stated at cost. Repairs and maintenance, which do not materially extend the life of an asset, are expensed as incurred. Depreciation is computed on the straight-line basis over the estimated useful lives of the assets ranging from three to ten years. Purchases costing \$10,000 or more are capitalized.

**Deferred Rent**

Deferred rent represents the difference between rental expense determined on a straight-line basis, in accordance with accounting principles generally accepted in the United States of America, and the stated amount per the lease agreement.

**Restricted and Unrestricted Revenue and Support**

Contributions received are recorded as net assets with donor restrictions or net assets without donor restrictions, depending on the existence and/or nature of any donor restrictions. When a restriction expires (that is, when a 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 statement of activities as net assets released from purpose restrictions.

**MANHATTAN INSTITUTE FOR POLICY RESEARCH, INC.**  
**Notes to Financial Statements (Continued)**  
**September 30, 2020**

**Note 2 - Summary of Significant Accounting Policies (Continued)**

**Functional Expenses**

The costs of providing the various programs and other activities have been summarized on a functional basis in the accompanying statements of activities and functional expenses. Accordingly, certain costs have been allocated among the program services and supporting activities benefited. Such allocations are determined by management on an equitable basis.

The expenses that are allocated include the following:

<u>Expense</u>	<u>Method of Allocation</u>
Payroll, including fellowships	Time and effort
Payroll taxes and employee benefits	Time and effort
Office rent, utilities and building maintenance	Time and effort
Professional fees:	
Legal fees and general	Time and effort
Consultants	Time and effort
Computer support	Time and effort
Events, speakers' fees, and internal meetings	Time and effort
Telephone	Time and effort
Postage and mailing	Time and effort
Equipment	Time and effort
Writer's fees	Time and effort
Proofreaders	Time and effort
Photography, illustrations and artwork	Time and effort
Prepress and printing	Time and effort
Marketing and advertising	Time and effort
Research	Time and effort
Office expenses	Time and effort
Depreciation	Time and effort

**MANHATTAN INSTITUTE FOR POLICY RESEARCH, INC.**  
**Notes to Financial Statements (Continued)**  
**September 30, 2020**

**Note 2 - Summary of Significant Accounting Policies (Continued)**

**Marketing and Advertising Costs**

The Institute expenses marketing and advertising costs as incurred. During the year ended September 30, 2020, marketing and advertising expenses amounted to \$326,428.

**Income Taxes**

The Institute files an annual Form 990, *Return of Organization Exempt from Income Tax*, with the Internal Revenue Service ("IRS"). At September 30, 2020, the Institute's Form 990s for the years 2017 through 2020 remain eligible for examination by the IRS.

**New Accounting Pronouncements**

In June 2018, the FASB issued ASC Update No. 2018-08, (Topic 958) *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This ASU provides a more robust framework for determining whether a transaction should be accounted for as a contribution or as an exchange transaction. The ASU also provides additional guidance to help determine whether a contribution is conditional or unconditional. This standard is effective for the Institute in financial statements issued for fiscal years beginning January 1, 2019. The adoption of this ASU did not have a material effect on the Institute's financial position or change in net assets.

**Subsequent Events**

The Institute has evaluated its September 30, 2020 financial statements for subsequent events and transactions through May 18, 2021, the date the financial statements were available to be issued.

**Note 3 - Risks and Uncertainties**

The Institute maintains its cash balances at major money center financial institutions. Balances fluctuate during the year and may exceed the FDIC insurance limits. The Institute has not experienced any losses in such accounts and management does not anticipate nonperformance by the financial institutions.

**MANHATTAN INSTITUTE FOR POLICY RESEARCH, INC.**  
**Notes to Financial Statements (Continued)**  
**September 30, 2020**

**Note 3 - Risks and Uncertainties (Continued)**

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 Institute's statement of financial position.

The Institute has 62% of its assets invested in hedge funds and limited partnerships investments at September 30, 2020. As described further in Note 4, these investments are presented at fair value based upon NAV as provided by the hedge funds and general partners or trustees of the limited partnerships. These values include investments that have been estimated using inputs that are unobservable for the investments. Such estimated values may not necessarily represent amounts that will be ultimately realized in the near term through distribution, sale, or liquidation of the investments.

**Note 4 - Fair Value Measurements**

Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 820, *Fair Value Measurements and Disclosures*, provides the framework for measuring fair value. It defines fair value as an exit price, which is the price that would be received for an asset or paid to transfer a liability in the Institute's principal or most advantageous market for the asset or liability, in an orderly transaction between market participants on the measurement date.

The fair value hierarchy generally requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. Observable inputs reflect the assumptions market participants would use in pricing the asset or liability and are developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs reflect the entity's own assumptions based on market data and the entity's judgments about the assumptions that market participants would use in pricing the asset or liability, and are to be developed based on the best information available in the circumstances.

**MANHATTAN INSTITUTE FOR POLICY RESEARCH, INC.**  
**Notes to Financial Statements (Continued)**  
**September 30, 2020**

**Note 4 - Fair Value Measurements (Continued)**

The Institute determines the fair market value of its investments based on the established fair value definition and hierarchy levels. The three levels within the hierarchy that may be used to measure fair value are:

Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2: Observable inputs, including Level 1 prices that have been adjusted; quoted prices for similar assets or liabilities; quoted prices in markets that are less active than traded exchanges; and other inputs that are observable or can be substantially corroborated by observable market data.

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

The lowest level of input that is a significant component of the fair value measurements determines the placement of the entire fair value measurement in the hierarchy. The Institute's assessment of the significance of a particular input to the fair value measurement requires judgment, and may affect the classification of fair value assets and liabilities within the fair value hierarchy levels.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at September 30, 2020.

Hedge funds:

The hedge funds are valued at the net asset value ("NAV") of units of the hedge funds. The NAV, as provided by each hedge fund, is used as a practical expedient to estimating fair value. The NAV is based on the fair value of the underlying investments held by the fund less its liabilities. This practical expedient is not used when it is determined to be probable that the fund will sell the investment for an amount different than the reported NAV. Were the Institute to initiate a full redemption of the hedge fund, the investment adviser reserves the right to temporarily delay withdrawal from the hedge fund in order to ensure that securities liquidations will be carried out in an orderly business manner.

**MANHATTAN INSTITUTE FOR POLICY RESEARCH, INC.**  
**Notes to Financial Statements (Continued)**  
**September 30, 2020**

**Note 4 - Fair Value Measurements (Continued)**

Limited partnerships:

The limited partnership interests are valued at the net asset value (“NAV”) of units of the limited partnerships. The NAV, as provided by the general partner or trustee, is used as a practical expedient to estimating fair value. The NAV is based on the fair value of the underlying investments held by the limited partnership less its liabilities. This practical expedient is not used when it is determined to be probable that the limited partnership will sell the investment for an amount different than the reported NAV. Were the Institute to initiate a full redemption of the limited partnership interests, the investment adviser reserves the right to temporarily delay withdrawal from the limited partnership in order to ensure that securities liquidations will be carried out in an orderly business manner.

The preceding valuation methods may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Institute believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth, by level, the Institute’s assets that were accounted for at fair value on a recurring basis as of September 30, 2020:

Investments in securities:

	<u>Total Fair Value</u>	<u>Quoted Prices (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Other Unobservable Inputs (Level 3)</u>
Investments at fair value:				
Investments measured at NAV*:				
Hedge funds	\$ 10,168,869	\$ -	\$ -	\$ -
Limited partnerships	<u>2,236,531</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total investments	<u>\$ 12,405,400</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

\* Certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been categorized in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statement of financial position.

**MANHATTAN INSTITUTE FOR POLICY RESEARCH, INC.**  
**Notes to Financial Statements (Continued)**  
**September 30, 2020**

**Note 4 - Fair Value Measurements (Continued)**

The investment objectives of each of the hedge funds and limited partnerships (“LP’s”) the Institute has invested in are as follows:

Hedge funds:

The capital appreciation fund is a multi-strategy fund with an event-driven focus, seeking to exploit situations in which announced or anticipated events create opportunities to invest in securities and other financial instruments at a discount to their exit values. The fund effects this strategy primarily by investing in: (i) securities and financial instruments of issuers that are (or are perceived to be) experiencing financial distress or are overleveraged, are attempting to complete an out-of-court restructuring, are involved in a bankruptcy or similar proceeding and/or are involved in substantial litigation, (ii) mergers and acquisitions (or “risk”) arbitrage situations where issuers are the subject of proposed changes in corporate structure or control, such as tender or exchange offers, mergers, unsolicited merger proposals, spin-offs, split-offs, liquidations and recapitalizations, and (iii) convertible arbitrage situations that attempt to extract value from the options “embedded” in convertible securities when such options appear mispriced relative to similar stand-alone options or historical volatility levels. The fund also invests in a long/short equities portfolio of securities that can be readily valued and trade at a discount or premium to the fair value of the underlying assets. Investment in the fund is redeemable on the last business day of any calendar quarter without any redemption charge, or on the last day of any other month, subject to a redemption charge equal to 1.5% of the proceeds. Redemption requires 60 days’ written notice. There are no unfunded commitments.

The multi-strategy hedge fund seeks to produce returns substantially in excess of those derived from risk-free investments, without a substantial increase in overall risk. The principal strategy of the fund is to identify and exploit inefficiencies in the global financial markets while minimizing exposure to market risk through hedging and other investment strategies that are generally intended not to be market-sensitive. Investment in the fund is redeemable annually on March 31 of every year with 60 days’ notice provided. The Institute would be subject to a redemption fee if redeeming within 3 years from the date of purchase. There are no unfunded commitments.

**MANHATTAN INSTITUTE FOR POLICY RESEARCH, INC.**  
**Notes to Financial Statements (Continued)**  
**September 30, 2020**

**Note 4 - Fair Value Measurements (Continued)**

Limited partnerships:

Private Investment Fund - trades in a wide range of United States and non-United States equity and debt securities and other financial and investment interests, instruments, and property. Its principal objective is to generate a return which is as high as is consistent with a goal of minimizing losses during adverse financial market periods. Investment in the Private Investment Fund is redeemable on January 1, April 1, July 1, or October 1, with at least 60 days' notice provided, capped at 25% every other quarter. There are no unfunded commitments.

**Changes in Fair Value Levels**

The availability of observable market data is monitored to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or model-based valuation techniques may require the transfer of financial instruments from one fair value level to another. In such instances, the transfer is reported at the beginning of the reporting period.

We evaluated the significance of transfers between levels based upon the nature of the financial instrument and size of the transfer relative to total net assets available for benefits. For the year ended September 30, 2020, there were no significant transfers in or out of Levels 1, 2 or 3.

**Note 5 - Unconditional Promises to Give**

At September 30, 2020, unconditional promises to give are as follows:

Promises to give expected to be collected in:	
Less than one year	\$ 1,240,000
One to five years	<u>300,000</u>
Total unconditional promises to give	<u>\$ 1,540,000</u>

The Institute considers discounts to net present value immaterial. Uncollectible promises are expected to be insignificant.

**MANHATTAN INSTITUTE FOR POLICY RESEARCH, INC.**  
**Notes to Financial Statements (Continued)**  
**September 30, 2020**

**Note 6 - Net Property Assets**

Property assets, stated at cost, consist of the following for the year ended September 30, 2020:

Furniture, fixtures and equipment	\$ 1,097,445
Leasehold improvements	<u>223,332</u>
	1,320,777
Less: accumulated depreciation	<u>1,217,949</u>
Net property assets	<u><u>\$ 102,828</u></u>

**Note 7 - Net Assets with Donor Restrictions**

Net assets with donor restrictions at September 30, 2020 are being held in investments and are available for the following purposes:

Policing & Public Safety	\$ 250,000
Education	<u>57,092</u>
Net assets with donor restrictions	<u><u>\$ 307,092</u></u>

**Note 8 - Pension Plan**

The Institute has a money purchase pension plan covering all its full-time employees. Employees hired after January 2, 2006 become eligible for pension benefits on their date of hire. Prior to this date, employees required one year of employment to be eligible. Contributions of 8% of eligible compensation are to be made for the year-end December 31, 2020. Pension expense for the year ended September 30, 2020 was \$392,386.

**MANHATTAN INSTITUTE FOR POLICY RESEARCH, INC.**  
**Notes to Financial Statements (Continued)**  
**September 30, 2020**

**Note 9 - Commitments**

**Line of Credit**

During June 2013, the Institute entered into a line of credit with a bank in the amount of \$1,500,000. The interest rate to be applied to the unpaid principal balance of this note will be at a rate of 2.507 percentage points over the LIBOR rate. The line is collateralized by the assets of the Institute. As of September 30, 2020, and through the date of this report, the Institute has not drawn against this line of credit.

**Lease Commitments**

The Institute occupies its main office premises under noncancelable operating leases expiring May 31, 2021. One of the leases contains rent escalation clauses.

Future minimum rentals as of September 30, 2020 are as follows:

<u>Year Ending September 30,</u>	<u>Amount</u>
2021	<u>\$ 732,946</u>
Total	<u><u>\$ 732,946</u></u>

Rent expense was \$1,055,898 for the year ended September 30, 2020.

During January 2021, the Institute agreed to extend the lease for its main office for another 15 years and 8 months, effective subsequent to the completion of certain construction on the premises.

**Note 10 - Related Party Transactions**

Contributions received by the Institute from members of the Board of Trustees totaled \$4,288,993 for the year ended September 30, 2020. These contributions represent approximately 27% of total contributions for the year ended September 30, 2020.

The Institute's investment in the Private Investment Fund having a value of \$2,236,531 at September 30, 2020, was donated to the Institute by a Board Member in January 2010 with a \$1,000,000 value.

**MANHATTAN INSTITUTE FOR POLICY RESEARCH, INC.**  
**Notes to Financial Statements (Continued)**  
**September 30, 2020**

**Note 11 - Availability and Liquidity**

The following represents the Institute's financial assets at September 30, 2020:

	2020
Financial assets at year end:	
Cash and cash equivalents	\$ 5,047,103
Investment securities	12,405,400
Unconditional promises to give expected to be collected within one year	1,240,000
Other receivables	35,859
Total financial assets	18,728,362
Less amounts not available to be used for general expenditures within one year due to:	
Purpose restrictions	(307,092)
	(307,092)
Financial assets available to meet general expenditures over the next twelve months	\$ 18,421,270

The Institute's goal is generally to maintain financial assets to allow it to meet 90 days of operating expenses (approximately \$4,344,000). As part of its liquidity plan, excess cash is maintained in a U.S. treasury bill with a maturity of 90 days.

**Note 12 - Tax Status**

The Institute has been determined by the IRS to be exempt from federal income tax pursuant to Section 501(c)(3) of the Internal Revenue Code (the "IRC") and has been classified as a publicly supported organization as described in Section 509(a)(1) of the IRC. Accordingly, contributions to the Institute entitle donors to the maximum charitable contribution deduction allowed under the IRC.