

**BUREAU OF GOVERNMENTAL  
RESEARCH, INC.**

Audits of Financial Statements

December 31, 2021 and 2020



## **Contents**

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<b>Independent Auditor's Report</b>	1 - 2
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### **Basic Financial Statements**

Statements of Financial Position	3
Statements of Activities	4
Statements of Functional Expenses	5 - 6
Statements of Cash Flows	7
Notes to Financial Statements	8 - 24

## **Independent Auditor's Report**

To the Board of Directors  
Bureau of Governmental Research, Inc.

### **Opinion**

We have audited the accompanying financial statements of the Bureau of Governmental Research, Inc. (BGR), which comprise the statements of financial position as of December 31, 2021 and 2020, 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 financial statements referred to above present fairly, in all material respects, the financial position of BGR as of December 31, 2021 and 2020, and the change 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 BGR 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 BGR's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

## **Auditor's Responsibilities for the Audit of the Financial Statements**

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of BGR'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 BGR'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.



A Professional Accounting Corporation

Metairie, LA  
June 14, 2022

**BUREAU OF GOVERNMENTAL RESEARCH, INC.**  
**Statements of Financial Position**  
**December 31, 2021 and 2020**

	2021	2020
<b>Assets</b>		
Cash and Cash Equivalents	\$ 649,253	\$ 629,341
Contributions Receivable	71,247	90,604
Promises to Give, Net	-	1,021,560
Prepaid Expenses	19,432	19,108
Property and Equipment, Net	18,722	15,201
Cash and Short-Term Investments Held for Investment	548,513	55,459
Long-Term Investments	9,649,555	8,428,051
	<u>9,649,555</u>	<u>8,428,051</u>
<b>Total Assets</b>	<b>\$ 10,956,722</b>	<b>\$ 10,259,324</b>
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Accounts Payable	\$ 29,393	\$ 8,286
Accrued Salaries and Withholding	-	10,822
Deferred Revenues	500	500
	<u>29,893</u>	<u>19,608</u>
<b>Total Liabilities</b>	<b>29,893</b>	<b>19,608</b>
<b>Net Assets</b>		
Without Donor Restrictions	860,076	958,010
With Donor Restrictions	10,066,753	9,281,706
	<u>10,926,829</u>	<u>10,239,716</u>
<b>Total Net Assets</b>	<b>10,926,829</b>	<b>10,239,716</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 10,956,722</b>	<b>\$ 10,259,324</b>

The accompanying notes are an integral part of these financial statements.

**BUREAU OF GOVERNMENTAL RESEARCH, INC.**  
**Statements of Activities**  
**For the Years Ended December 31, 2021 and 2020**

	2021	2020
<b>Changes in Net Assets Without Donor Restrictions</b>		
Memberships / Core Funding	\$ 691,554	\$ 571,754
Annual Luncheon	14,230	79,550
Breakfast Briefings	6,000	12,000
Excellence in Government	-	17,650
Investment Return, Net	24	1,642
PPP Grant Income	-	139,541
Other Revenues	65,500	19,157
Net Assets Released from Restrictions		
Satisfaction of Time Restriction	14,190	14,192
Satisfaction of Purpose	16,667	-
BGR Endowment Fund Appropriation	200,015	224,399
Zemurray Endowment Fund Appropriation	100,015	102,939
Howard Chair Endowment Fund Appropriation	-	25,601
<b>Total Revenues Without Donor Restrictions</b>	<b>1,108,195</b>	<b>1,208,425</b>
<b>Expenses</b>		
<b>Program Services</b>	<b>818,140</b>	<b>808,709</b>
<b>Supporting Service</b>		
General and Administrative	236,675	188,621
Fundraising	151,314	120,139
<b>Total Expenses</b>	<b>1,206,129</b>	<b>1,117,469</b>
<b>Changes in Net Assets Without Donor Restrictions</b>	<b>(97,934)</b>	<b>90,956</b>
<b>Changes in Net Assets With Donor Restrictions</b>		
Contributions	101,400	1,000,000
Investment Return, Net	1,014,534	868,820
Net Assets Released from Restrictions	(330,887)	(367,131)
<b>Changes in Net Assets With Donor Restrictions</b>	<b>785,047</b>	<b>1,501,689</b>
<b>Changes in Net Assets</b>	<b>687,113</b>	<b>1,592,645</b>
<b>Net Assets, Beginning of Year</b>	<b>10,239,716</b>	<b>8,647,071</b>
<b>Net Assets, End of Year</b>	<b>\$ 10,926,829</b>	<b>\$ 10,239,716</b>

The accompanying notes are an integral part of these financial statements.

**BUREAU OF GOVERNMENTAL RESEARCH, INC.**  
**Statement of Functional Expenses**  
**For the Year Ended December 31, 2021**

	Program Services	Supporting Services		Total Expenses
	Public Policy Research and Reporting	General and Administrative	Fundraising	
Salaries, Benefits, and Taxes	\$ 624,062	\$ 146,152	\$ 126,426	\$ 896,640
Consultants / Contracted Personnel	66,862	85,465	9,001	161,328
Office Rent	52,052	1,661	1,661	55,374
Telephone / Information Technology	24,526	783	783	26,092
Event Expenses	6,447	-	11,760	18,207
Dues and Subscriptions	13,612	-	-	13,612
Depreciation	8,620	275	275	9,170
Travel	7,120	-	-	7,120
Office Expense	6,345	203	203	6,751
Insurance	4,358	139	139	4,636
Miscellaneous	1,775	57	847	2,679
Bank Fees	-	1,694	-	1,694
Staff Development	836	196	169	1,201
Equipment Rental and Maintenance	705	23	23	751
Printing and Reproduction	623	20	20	663
Advertising / Public Relations	301	10	10	321
Postage	(104)	(3)	(3)	(110)
<b>Total</b>	<b>\$ 818,140</b>	<b>\$ 236,675</b>	<b>\$ 151,314</b>	<b>\$ 1,206,129</b>

The accompanying notes are an integral part of these financial statements.

**BUREAU OF GOVERNMENTAL RESEARCH, INC.**  
**Statement of Functional Expenses**  
**For the Year Ended December 31, 2020**

	Program Services	Supporting Services		Total Expenses
	Public Policy Research and Reporting	General and Administrative	Fundraising	
Salaries, Benefits, and Taxes	\$ 653,737	\$ 146,086	\$ 113,217	\$ 913,040
Office Rent	52,052	1,661	1,661	55,374
Consultants / Contracted Personnel	14,022	38,495	2,375	54,892
Telephone / Information Technology	19,364	618	618	20,600
Event Expenses	18,518	-	339	18,857
Dues and Subscriptions	12,916	-	-	12,916
Depreciation	9,917	316	316	10,549
Office Expense	8,484	271	271	9,026
Travel	8,480	-	-	8,480
Insurance	4,284	137	137	4,558
Miscellaneous	2,670	85	937	3,692
Staff Development	929	208	161	1,298
Printing and Reproduction	1,032	33	33	1,098
Postage	834	27	27	888
Advertising / Public Relations	765	24	24	813
Equipment Rental and Maintenance	705	23	23	751
Bank Fees	-	637	-	637
<b>Total</b>	<b>\$ 808,709</b>	<b>\$ 188,621</b>	<b>\$ 120,139</b>	<b>\$ 1,117,469</b>

The accompanying notes are an integral part of these financial statements.

**BUREAU OF GOVERNMENTAL RESEARCH, INC.**  
**Statements of Cash Flows**  
**For the Years Ended December 31, 2021 and 2020**

	2021	2020
<b>Cash Flows from Operating Activities</b>		
Changes in Net Assets	\$ 687,113	\$ 1,592,645
Adjustments to Reconcile Changes in Net Assets to Net Cash Provided by (Used in) Operating Activities		
Depreciation	9,170	10,549
Net Unrealized and Realized Gains on Investments	(859,419)	(625,837)
Proceeds from the Sale of Donated Investment Securities	-	8,436
Decrease (Increase) in Assets		
Contributions Receivable	19,357	(74,044)
Promises to Give	1,021,560	(988,710)
Prepaid Expenses	(324)	18,202
Increase (Decrease) in Liabilities		
Accounts Payable and Accrued Salaries and Withholding	10,285	(9,256)
Deferred Revenues - Membership Dues	-	250
<b>Net Cash Provided by (Used in) Operating Activities</b>	<b>887,742</b>	<b>(67,765)</b>
<b>Cash Flows from Investing Activities</b>		
Purchase of Investments	(811,075)	(198,006)
Proceeds from Sale of Investments	448,990	496,649
Purchases of Property and Equipment	(12,691)	(1,927)
<b>Net Cash (Used in) Provided by Investing Activities</b>	<b>(374,776)</b>	<b>296,716</b>
<b>Net Changes in Cash and Cash Equivalents</b>	<b>512,966</b>	<b>228,951</b>
<b>Cash and Cash Equivalents, Beginning of Year</b>	<b>684,800</b>	<b>455,849</b>
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 1,197,766</b>	<b>\$ 684,800</b>
<b>Reconciliation of Cash</b>		
Cash and Cash Equivalents	\$ 649,253	\$ 629,341
Cash and Short-Term Investments Held for Investment	548,513	55,459
<b>Total Cash and Cash Equivalents</b>	<b>\$ 1,197,766</b>	<b>\$ 684,800</b>

The accompanying notes are an integral part of these financial statements.

# BUREAU OF GOVERNMENTAL RESEARCH

## Notes to Financial Statements

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### Note 1. Summary of Significant Accounting Policies

#### **Organization**

The Bureau of Governmental Research, Inc. (BGR) is a private non-profit independent research organization incorporated under the laws of the State of Louisiana and Internal Revenue Code Section 501(c)(3). Accordingly, income taxes are not presented in these financial statements. BGR is dedicated to informed public policymaking and the effective use of public resources for the improvement of government in the New Orleans metropolitan area. BGR fulfills its mission through its program of public policy research and reporting.

#### **Basis of Accounting**

BGR prepares its financial statements in accordance with accounting principles generally accepted in the United States of America, which involves the application of accrual accounting; consequently, revenues and gains are recognized when earned, and expenses and losses are recognized when incurred.

#### **Basis of Presentation**

Financial statement presentation follows the recommendations of the *Not-for-Profit Entities* Topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). Accordingly, BGR reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restriction and net assets with donor restriction:

*Net Assets Without Donor Restriction* - Net assets that are not subject to or are no longer subject to donor-imposed stipulations.

*Net Assets With Donor Restriction* - Net assets whose use is limited by donor-imposed time and/or purpose restrictions.

#### **Cash and Cash Equivalents**

For purposes of the statements of cash flows, BGR considers all short-term, highly liquid investments with an original maturity of three months or less to be cash equivalents, unless restricted by donor-imposed stipulations.

#### **Promises to Give and Contributions Receivable**

Unconditional promises to give cash and contributions receivable are reported at net realizable value at the date the promise is received if expected to be collected within one year. Unconditional promises to give expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contribution revenue in the statements of activities. BGR considers promises to give and contributions receivable as of year-end to be fully collectible. Accordingly, no allowance for uncollectible contributions is required. If amounts become uncollectible, they will be written off when that determination is made.

# BUREAU OF GOVERNMENTAL RESEARCH

## Notes to Financial Statements

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### Note 1. Summary of Significant Accounting Policies (Continued)

#### **Investments**

Investment purchases are recorded at cost, or if donated, at fair market value on the date of donation. Thereafter, investments are reported at their fair values in the statements of financial position. Net investment return (loss) is reported in the statements of activities as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law, and consists of interest and dividend income, realized and unrealized gains and losses, less investment expenses.

#### **Property and Equipment**

BGR capitalizes purchases of property of \$500 or more. Property is recorded at cost and is depreciated over the estimated useful lives of the related assets which approximate five years. Depreciation is computed using the straight-line method for financial statement purposes.

#### **Revenues**

Revenue is recognized when earned. Membership dues, which are nonrefundable, are deemed to be contributions and are recognized as revenues immediately. Annual luncheon payments are considered revenues in the year in which the event occurs.

#### **Contributions**

Contributions received are reported as increases in net assets without donor restrictions or net asset with donor restrictions depending on the existence and/or nature of any donor restrictions. When restrictions expire (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 statements of activities as net assets released from restrictions. BGR has adopted a policy to classify donor restricted contributions as without donor restrictions to the extent that donor restrictions were met in the year the contribution was received.

#### **Functional Expenses**

The costs of providing the program services 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. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses are allocated on a reasonable basis that is consistently applied. When possible, expenses are first allocated by direct identification and then allocation if an expenditure benefits more than one program or function. The expenses that are allocated include salaries, benefits and taxes, staff development, which are allocated on the basis of estimates of time and effort, as well as office rent, telephone/information technology, office expense, depreciation, insurance (general), printing and reproduction, postage, equipment rental and maintenance, advertising/public relations, and other miscellaneous expenses, which are allocated on a square footage basis.

## BUREAU OF GOVERNMENTAL RESEARCH

### Notes to Financial Statements

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#### Note 1. Summary of Significant Accounting Policies (Continued)

##### **Advertising**

Advertising costs are expensed as incurred. Advertising expense was \$321 and \$813 for the years ended December 31, 2021 and 2020, respectively.

##### **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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

##### **Recent Accounting Pronouncements**

In February 2016, the FASB issued Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in *Topic 840, Leases*. Under the new guidance, lessees are required to recognize the lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of income. A modified retrospective transition approach is required. An entity may adopt the guidance either (1) retrospectively to each prior reporting period presented in the financial statements with a cumulative-effect adjustment recognized at the beginning of the earlier comparative period presented, or (2) retrospectively at the beginning of the period of adoption through a cumulative-effect adjustment. The new standard also provides a number of practical expedients. In June 2020, the FASB issued ASU 2020-05 which defers the effective date of ASU-2016-02 one year making it effective for annual report periods beginning after December 15, 2021. Management is currently evaluating the impact of the pending adoption of the new standard on its financial statements, as well as the election of any available practical expedients and the manner of the modified retrospective transition approach.

In September 2020, the FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The standard addresses measurement of contributed nonfinancial assets recognized by not-for-profit organizations and enhances disclosures with respect to these contributions. The ASU will be applied on a retrospective basis and is effective for annual periods beginning after June 15, 2021. Management is currently evaluating the impact of the pending adoption of the new standard on its financial statements.

## BUREAU OF GOVERNMENTAL RESEARCH

### Notes to Financial Statements

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#### Note 2. Promises to Give

BGR had unconditional promises to give representing the following at December 31, 2021 and 2020:

	2021	2020
Zemurray Chair Promises to Give	\$ -	\$ 1,000,000
Other Promises to Give	-	21,560
<b>Unconditional Promises to Give, Gross</b>	<b>\$ -</b>	<b>\$ 1,021,560</b>
	2021	2020
Receivable in Less than One Year	\$ -	\$ 521,560
Receivable in One to Five Years	-	500,000
Total Unconditional Promises to Give, Gross	-	1,021,560
Less: Discount to Net Present Value	-	-
<b>Unconditional Promises to Give, Net</b>	<b>\$ -</b>	<b>\$ 1,021,560</b>

For the year ended December 31, 2020 amounts due in future years had not been discounted to their present value since the discount amount was immaterial.

#### Note 3. Investments

Investments consisted of the following as of December 31, 2021:

December 31, 2021	Fair Market Value	Cost or Assigned Amount
GNOF Investment Pool Fund	\$ 51,132	\$ 30,305
Money Market Funds	227,807	227,807
Mutual Funds		
Intermediate-Term Bond Funds	2,984,147	2,996,763
Exchange Traded Funds		
Large Value	1,784,696	1,051,524
Foreign Large Blend	964,598	735,428
Large Growth	1,496,664	510,620
Diversified Emerging Markets	1,067,890	727,733
Real Estate	519,097	310,760
Small Blend	553,524	245,512
<b>Total</b>	<b>\$ 9,649,555</b>	<b>\$ 6,836,452</b>

## BUREAU OF GOVERNMENTAL RESEARCH

### Notes to Financial Statements

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#### Note 3. Investments (Continued)

Investments consisted of the following as of December 31, 2020:

<b>December 31, 2020</b>	<b>Fair Market Value</b>	<b>Cost or Assigned Amount</b>
GNOF Investment Pool Fund	\$ 45,577	\$ 30,305
Money Market Funds	227,753	227,753
Mutual Funds		
Intermediate-Term Bond Funds	2,855,041	2,778,554
Exchange Traded Funds		
Large Value	1,167,690	735,550
Foreign Large Blend	811,357	650,170
Large Growth	1,500,753	569,951
Diversified Emerging Markets	1,015,654	670,313
Real Estate	352,283	281,799
Small Blend	451,943	218,445
<b>Total</b>	<b>\$ 8,428,051</b>	<b>\$ 6,162,840</b>

#### Note 4. Property and Equipment

Property and equipment consisted of the following at December 31, 2021 and 2020:

	<b>2021</b>	<b>2020</b>
Office Equipment	\$ 42,982	\$ 67,835
Software Development	11,550	11,550
Furniture and Fixtures	20,163	20,163
<b>Total Property and Equipment, at Cost</b>	<b>74,695</b>	99,548
Less: Accumulated Depreciation	(55,973)	(84,347)
<b>Total Property and Equipment, Net</b>	<b>\$ 18,722</b>	<b>\$ 15,201</b>

Depreciation expense totaled \$9,170 and \$10,549 for the years ended December 31, 2021 and 2020, respectively.

## BUREAU OF GOVERNMENTAL RESEARCH

### Notes to Financial Statements

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#### Note 5. Net Assets With Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes at December 31, 2021 and 2020:

	2021	2020
Net Assets With Donor Restrictions		
Subject to Expenditure for Specified Purpose		
Presidents Paper Sponsorship	\$ 11,761	\$ 11,761
ARP Fund Use Report Sponsorship	83,333	-
Subject to Time Restriction		
Promises to Give	-	14,188
Other	1,398	-
Endowment Funds (See Note 6)		
Original Gifts and Accumulated Earnings		
BGR Endowment Fund	5,599,532	5,201,426
Janet Howard Chair in Governmental Research Fund	787,278	706,439
Zemurray Chair	3,532,319	3,302,315
GNOF Investment Pool Fund	51,132	45,577
<b>Net Assets With Donor Restrictions</b>	<b>\$ 10,066,753</b>	<b>\$ 9,281,706</b>

#### Note 6. Endowment Funds

As required by generally accepted accounting principles in the United States of America (U.S. GAAP), net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. BGR accounts for donor-restricted funds consistent with the provisions of Uniform Prudent Management of Institutional Funds Act (UPMIFA) as adopted by the State of Louisiana. BGR's Board of Directors seek to preserve the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. Accordingly, BGR retains in perpetuity (a) the original value of initial and subsequent gifts donated to the Endowment, and (b) any accumulations to the Endowments made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure by BGR in a manner consistent with the standard of prudence prescribed by UPMIFA.

## BUREAU OF GOVERNMENTAL RESEARCH

### Notes to Financial Statements

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#### Note 6. Endowment Funds (Continued)

In accordance with UPMIFA, BGR considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of BGR and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of BGR
- The investment policies of BGR

BGR's endowments consisted of the following:

#### GNOF Investment Pool Fund

GNOF Investment Pool Fund is maintained and managed by the GNOF within their investment pool. The fund is invested by GNOF with an attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of these endowment assets over the long-term. Annual distributions of income from the GNOF Investment Pool Fund, as determined by the Board of Trustees of GNOF are provided to BGR. BGR then decides to either use the funds for operations of BGR or to invest in one of its endowment funds. For the years ended December 31, 2021 and 2020, the investment return of the GNOF Investment Pool Fund totaled \$5,555 and \$1,568, respectively.

#### BGR Endowment Fund

The BGR Endowment Fund was created in 2007 and includes the pooling of donor funds to support BGR operations. The investment objectives of the BGR Endowment Fund are to emphasize total return. Specifically, the primary objective is to emphasize long-term growth of principal while avoiding excessive risk. Short-term volatility will be tolerated in as much as it is consistent with the volatility of comparable capital market benchmarks. The secondary objective is to achieve returns in excess of the rate of inflation plus spending over the investment horizon in order to preserve the purchasing power of the fund's assets. Risk control is an important element in the investment of the fund assets.

## BUREAU OF GOVERNMENTAL RESEARCH

### Notes to Financial Statements

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#### Note 6. Endowment Funds (Continued)

In accordance with the spending policy, at the request of the Board of Directors of BGR, the Endowment Committee shall cause to be disbursed a sum of money not to exceed in any fiscal year an amount equal to 5% of the BGR Endowment Fund, calculated using a 12-quarter average of market values determined as of December 31<sup>st</sup> of the previous year, less any previous remittances by the Endowment Committee since the beginning of the current fiscal year. The Endowment Committee shall comply with any such request by the Board of Directors, unless, in its judgment, the integrity of the Endowment Fund would be seriously inconvenienced by such a disbursement at that time; in such an event, the Endowment Committee shall deliver to the Board of Directors a written statement of its reasons for declining to make the disbursement. This provision can be modified only by a vote of not less than eighty percent of the Board of Directors or by a vote of two-thirds of the membership of BGR. During the years ended December 31, 2021 and 2020, the Board of Directors appropriated \$200,015 and \$224,399 for operations, respectively. For the years ended December 31, 2021 and 2020, investment return of the BGR Endowment Fund was \$598,121 and \$538,954, respectively.

#### Howard Chair

In 2015, a donor created the Howard Chair with an initial gift of \$500,000 to be held in perpetuity. The investment objectives of the Howard Chair Fund are to emphasize total return. Specifically, the primary objective is to emphasize long-term growth of principal while avoiding excessive risk. Short-term volatility will be tolerated in as much as it is consistent with the volatility of comparable capital market benchmarks. The secondary objective is to achieve returns in excess of the rate of inflation plus spending over the investment horizon in order to preserve the purchasing power of the fund's assets. Risk control is an important element in the investment of the fund assets.

The spending policy states that, at the request of the Board of Directors, the Endowment Committee shall cause to be disbursed a sum of money not to exceed in any fiscal year an amount equal to 5% of the Howard Chair, calculated by using the fund's 12-quarter average of market values determined as of December 31<sup>st</sup> of the previous year.

Such distribution shall be used to cover the expenses of a speaker at BGR's annual luncheon, henceforth to be recognized as the Janet Howard Speaker Series in Government Research. If in any year a speaker appears on a pro bono basis, at the request of the Board of Directors, the Endowment Committee shall direct the distribution from the Howard Chair, net of any expenses required by the speaker, if any, to be capitalized to the Howard Chair or alternatively, to a specific BGR research project acknowledged appropriately in the final research output. Either decision must be approved by the Endowment Committee. If for any reason BGR discontinues its annual luncheon or its practice of presenting speakers at the function, at the request of the Board of Directors, the distribution from the Howard Chair will be directed to specific BGR research projects, under the guidance and with the approval of the Endowment Committee and acknowledged appropriately as part of the Howard Chair.

## BUREAU OF GOVERNMENTAL RESEARCH

### Notes to Financial Statements

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#### Note 6. Endowment Funds (Continued)

##### Howard Chair (Continued)

No distribution for spending is to be made from the Howard Chair until the endowment threshold of \$500,000 in donations to the Howard Chair Fund has been received. Until that time, all earnings are held in the corpus of the Howard Chair. This provision can be modified only by a vote of not less than eighty percent of the Board of Directors or by a vote of two-thirds of the membership of BGR. As of December 31, 2021 and 2020, the \$500,000 threshold was met, which allows for distributions in accordance with the spending policy above.

As of December 31, 2021 and 2020, the balance of the Howard Chair Fund was maintained in long-term investments. During the years ended December 31, 2021 and 2020, the Board of Directors appropriated \$-0- and \$25,601 for operations, respectively. For the years ended December 31, 2021 and 2020, investment return of the Howard Chair Fund totaled \$80,839 and \$72,705, respectively.

##### Zemurray Chair

In 2018, a donor created the Zemurray Chair Endowment Fund with an initial gift of \$2,000,000 to be held in perpetuity. The investment objectives of the Zemurray Chair Endowment Fund are to emphasize total return. Specifically, the primary objective is to emphasize long-term growth of principal while avoiding excessive risk. Short-term volatility will be tolerated in as much as it is consistent with the volatility of comparable capital market benchmarks. The secondary objective is to achieve returns in excess of the rate of inflation plus spending over the investment horizon in order to preserve the purchasing power of the fund's assets. Risk control is an important element in the investment of the fund assets.

The spending policy states that, at the request of the Board of Directors, the Endowment Committee shall cause to be disbursed a sum of money not to exceed in any fiscal year an amount equal to 5% of the Zemurray Chair, calculated as follows:

- In 2020, using the 4-quarter average of the market values of the fund determined as of December 31<sup>st</sup> of 2019;
- In 2021, using the 8-quarter average of market values of the fund determined as of December 31<sup>st</sup> of 2020; and
- Thereafter, using the funds 12-quarter average of market values determined as of December 31<sup>st</sup> of the previous year.

## BUREAU OF GOVERNMENTAL RESEARCH

### Notes to Financial Statements

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#### Note 6. Endowment Funds (Continued)

##### Zemurray Chair (Continued)

Such distributable funds shall be used to support the salary for the position of BGR's President and CEO, which position shall hereafter permanently bear the title of the Samuel Zemurray Chair in Research Leadership in all and every reference to it. The Endowment Committee shall comply with any such request by the Board of Directors, unless, in its judgment, the integrity of the Zemurray Chair would be threatened by such a disbursement, or the Zemurray Chair would be seriously inconvenienced by such a disbursement at that time; in such an event, the Endowment Committee shall deliver to the Board of Directors a written statement of its reason for declining to make the disbursement. This provision can be modified only by a vote of not less than eighty percent of the Board of Directors or by a vote of two-thirds of the membership of the BGR.

As of December 31, 2021 and 2020, the balance of the Zemurray Chair Fund were maintained in long-term investments. During the years ended December 31, 2021 and 2020, the Board of Directors appropriated \$100,015 and \$102,939 for operations, respectively. For the years ended December 31, 2021 and 2020, investment return of the Zemurray Chair Fund totaled \$330,019 and \$255,593, respectively. During the years ended December 31, 2021 and 2020, contributions to Zemurray Chair Fund totaled \$-0- and \$1,000,000, respectively.

The composition of the endowment funds above as of December 31, 2021 and 2020 are as follows:

<b>December 31, 2021</b>	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>GNOF Investment Pool Fund</b>	\$ -	\$ 51,132	\$ 51,132
<b>BGR Endowment Fund</b>	-	5,599,532	5,599,532
<b>Zemurray Chair</b>	-	3,532,319	3,532,319
<b>Howard Chair</b>	-	787,278	787,278
<b>Total</b>	<b>\$ -</b>	<b>\$ 9,970,261</b>	<b>\$ 9,970,261</b>

  

<b>December 31, 2020</b>	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
GNOF Investment Pool Fund	\$ -	\$ 45,577	\$ 45,577
BGR Endowment Fund	-	5,201,426	5,201,426
Zemurray Chair	-	3,302,315	3,302,315
Howard Chair	-	706,439	706,439
<b>Total</b>	<b>\$ -</b>	<b>\$ 9,255,757</b>	<b>\$ 9,255,757</b>

## BUREAU OF GOVERNMENTAL RESEARCH

### Notes to Financial Statements

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#### Note 6. Endowment Funds (Continued)

A summary of changes in BGR's endowment net assets for the years ended December 31, 2021 and 2020 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Net Assets, January 1, 2021</b>	\$ -	\$ 9,255,757	\$ 9,255,757
Investment Return, Net	-	1,014,534	1,014,534
Amount Appropriated for Expenditure	-	(300,030)	(300,030)
<b>Net Assets, December 31, 2021</b>	<b>\$ -</b>	<b>\$ 9,970,261</b>	<b>\$ 9,970,261</b>
	Without Donor Restrictions	With Donor Restrictions	Total
Net Assets, January 1, 2020	\$ -	\$ 7,739,944	\$ 7,739,944
Contributions	-	1,000,000	1,000,000
Investment Return, Net	-	868,752	868,752
Amount Appropriated for Expenditure	-	(352,939)	(352,939)
<b>Net Assets, December 31, 2020</b>	<b>\$ -</b>	<b>\$ 9,255,757</b>	<b>\$ 9,255,757</b>

#### Note 7. Paycheck Protection Program Grant Income

In April 2020, BGR entered into a loan with a financial institution for the principal amount of \$139,541 pursuant to the Paycheck Protection Program (PPP) under the Coronavirus Aid, Relief, and Economic Security (CARES) Act. The PPP contains events of default and other conditions customary for a loan of this type. Under the terms of the CARES Act, PPP loan recipients can apply for and be granted forgiveness for all, or a portion of the loan granted under the PPP subject to limitations, based on the use of the proceeds for payment of payroll costs, rent, and mortgage obligations, and covered utility payments, if any.

At the time when the proceeds received there was no authoritative guidance under U.S. GAAP that addressed accounting and reporting by a not-for-profit entity, that received a forgivable loan from a government. However, U.S. GAAP guided not-for-profit entities to analogize to ASC 958-605, *Not-for-Profit Entities - Revenue Recognition*, if a not-for-profit entity expected to meet the PPP's eligibility criteria and concluded that the PPP loan represented, in substance, a grant that was expected to be forgiven.

## BUREAU OF GOVERNMENTAL RESEARCH

### Notes to Financial Statements

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#### Note 7. Paycheck Protection Program Grant Income (Continued)

Under ASC 958-605, if a contribution is conditional, it is not recognized until the conditions are either explicitly waived or substantially met. Once the conditions have been substantially met or have been explicitly waived (qualifying cost expenditures are made and eligibility and forgiveness criteria deemed to be met), recognition of the contribution as income occurs.

BGR had applied to the financial institution and, in December 2020, received forgiveness of the PPP loan in the amount of \$139,541, thus it had recognized PPP grant income for the amount of the PPP loan proceeds, \$139,541, included in the statement of activities.

#### Note 8. Leases

##### Operating Leases

On October 25, 2017, BGR entered into an operating lease for postage equipment with monthly payments of \$57 for a 63 month period.

BGR entered into an operating lease agreement for office space effective May 1, 2016 which calls for a monthly payment of \$3,821 for a five-year period. Effective June 1, 2017, the lease was amended to expand the space leased. This amendment calls for additional monthly payments of \$794 through April 30, 2021.

In 2021, BGR entered into an operating lease agreement for office space effective May 1, 2021 which calls for a monthly payment of \$4,614 through April 30, 2023.

The following is BGR's obligations under these leases:

2022	\$	56,060
2023		<u>18,458</u>
<b>Total</b>	<b>\$</b>	<b><u>74,518</u></b>

Rental expense related to these operating leases totaled \$56,125 for the years ended December 31, 2021 and 2020.

## BUREAU OF GOVERNMENTAL RESEARCH

### Notes to Financial Statements

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#### Note 9. Fair Value of Financial Instruments

BGR follows the provisions of the *Fair Value Measurement* Topic of the FASB ASC. Under this FASB ASC, fair value is defined as 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. This guidance establishes a fair value hierarchy for inputs used in measuring fair market value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are those that market participants would use in pricing the asset or liability based on the best information available in the circumstances.

The fair value hierarchy is categorized into three levels based on the inputs as follows:

- Level 1 Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities as of the reporting date. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these securities does not entail a significant degree of judgment.
  
- Level 2 Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly, as of the reporting date.
  
- Level 3 Valuations based on inputs that are unobservable and include situations where there is little, if any, market activity for the investment. The inputs into the determination of fair value require significant management judgment or estimation.

In some instances, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such instances, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement.

BGR's valuation techniques for assets recorded at fair value are as follows:

*Equity Funds, Bond Funds and Exchange Traded Funds:* The fair value is determined by the closing price reported on the active market on which the individual securities or funds are traded.

*GNOF Investment Pool Fund:* The fair value is determined by the use of calculated net asset value per ownership share.

# BUREAU OF GOVERNMENTAL RESEARCH

## Notes to Financial Statements

### Note 9. Fair Value of Financial Instruments (Continued)

The valuation of BGR's assets measured at fair value on a recurring basis at December 31, 2021 and 2020 are as follows:

December 31, 2021	Level 1	Level 2	Level 3	Fair Value
Bond Funds	\$ 2,984,147	\$ -	\$ -	\$ 2,984,147
Money Market Funds	227,807	-	-	227,807
Exchange Traded Funds	6,386,469	-	-	6,386,469
GNOF Investment Pool Fund <sup>(1)</sup>	-	-	-	51,132
<b>Total</b>	<b>\$ 9,598,423</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 9,649,555</b>

December 31, 2020	Level 1	Level 2	Level 3	Fair Value
Bond Funds	\$ 2,855,041	\$ -	\$ -	\$ 2,855,041
Money Market Funds	227,753	-	-	227,753
Exchange Traded Funds	5,299,680	-	-	5,299,680
GNOF Investment Pool Fund <sup>(1)</sup>	-	-	-	45,577
<b>Total</b>	<b>\$ 8,382,474</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 8,428,051</b>

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

BGR's investments at December 31, 2021 that feature net asset value per share were as follows:

	Number of Funds	Fair Value Calculated Using NAV	Unfunded Commitments	Redemption Terms	Restrictions and Terms in Place at Year End
GNOF Investment Pool Fund	1	\$ 51,132	N/A	Request may be made anytime.	N/A

The investment pool includes investments in a well-diversified asset mix, which includes equity and fixed income securities as well as private equity and investments in hedge funds which primarily invest in commodities. While management may request redemption of these investments at any time, the redemption amount is first subject to GNOF's distribution policies for endowed funds. Any exception to this policy must be approved by GNOF's board which usually is conservative in releasing funds above the amount that is annually distributed.

## BUREAU OF GOVERNMENTAL RESEARCH

### Notes to Financial Statements

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#### Note 10. Contributed Services

During 2021 and 2020, BGR received contributed services recorded at market value. The contributed services, which are primarily donations of services and use of facilities related to fundraising events, are included in revenues without donor restrictions as follows for the years ended December 31, 2021 and 2020:

	2021	2020
Annual Luncheon	\$ 14,230	\$ -
Excellence in Government	-	7,650
Advertising	59,910	16,933
Other Contributed Services	3,927	2,224
<b>Total</b>	<b>\$ 78,067</b>	<b>\$ 26,807</b>

#### Note 11. Concentration of Credit Risk

BGR's policy is to maintain balances below the U.S. Federal Deposit Insurance Corporation limit. BGR maintains its cash accounts in one commercial bank. The amount on deposit exceeded the insurance limits of the Federal Deposit Insurance Corporation by \$398,982 and \$379,599 as of December 31, 2021 and 2020, respectively. BGR has not experienced any losses and does not believe that significant credit risk exists as a result of this practice.

#### Note 12. Functional Expense Allocation

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. General and administrative expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of BGR.

68% and 72% of total expenses were allocated to public policy research and reporting program in the years ended in December 2021 and 2020, respectively.

32% and 28% of total expenses were allocated to supporting services, including general and administrative and fundraising in the years ended in December 2021 and 2020, respectively.

In 2021, BGR engaged consultants to assist with the transition to cloud-based financial software and to conduct a search for a new chief executive, resulting in the increase in allocation of expenses to supporting services in 2021.

## BUREAU OF GOVERNMENTAL RESEARCH

### Notes to Financial Statements

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#### Note 13. Related Parties

BGR maintained certain cash and cash equivalents in an institution of which one Board Member was a Board Member as of December 31, 2021 and 2020.

BGR receives contributions from its board members and organizations they are affiliated with.

#### Note 14. Uncertain Tax Positions

Accounting principles generally accepted in the United States of America provide accounting and disclosure guidance about positions taken by an entity in its tax returns that might be uncertain. BGR believes that it has appropriate support for any tax positions taken, and management has determined that there are no uncertain tax positions that are material to the financial statements.

Penalties and interest assessed by income taxing authorities, if any, would be included in income tax expense.

#### Note 15. Employee Benefit Plan

BGR provides a Simple IRA Plan, which covers all employees meeting certain eligibility requirements. Eligible employees are able to make annual contributions to the plan up to the maximum amount allowed by current regulations. BGR makes a matching contribution in an amount equal to the employees' salary reduction contribution up to a limit of 3% of employees' compensation. BGR's contributions for the years ended December 31, 2021 and 2020 totaled \$23,289 and \$21,696, respectively.

#### Note 16. Liquidity and Availability

As of December 31, 2021, assets without donor or other restrictions and therefore available for general expenditure within one year of the balance sheet date, consisted of the following:

Cash and Cash Equivalents	\$	649,253
Contributions Receivable		71,247
Cash and Short-Term Investments Held for Investment		548,513
Appropriation of BGR Endowment Fund as Budgeted for the year ending Decembr 31, 2022		<u>291,004</u>
<b>Total</b>	<b>\$</b>	<b><u>1,560,017</u></b>

## BUREAU OF GOVERNMENTAL RESEARCH

### Notes to Financial Statements

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#### **Note 16. Liquidity and Availability (Continued)**

BGR has received significant contributions to establish endowment accounts, which should exist in perpetuity to generate investment income for BGR's general operations or other purposes designated by the donors. The BGR Endowment Fund is an endowed account for BGR's general expenditures. The appropriation from the BGR Endowment Fund noted above represents the 2022 budgeted amount, rather than any determination of the full possibility of an appropriation for general expenditures. In addition, the Zemurray Chair is an endowed account for the purpose of supporting the salary of BGR's President and CEO. While the terms of the Zemurray Chair restrict the use of the investment income, any appropriation from the Zemurray Chair will result in a correlating reduction in the revenue required to cover BGR's general expenditures. Note 6 discusses in more detail BGR's endowments and the spending policies for each.

BGR manages its expenditures according to an annual Board-approved budget. In addition to the above summary of financial assets available to meet general expenditures over the next twelve months, BGR anticipates collecting sufficient revenue to cover its general expenditures, including those not covered by donor-restricted resources.

#### **Note 17. Subsequent Events**

Management has evaluated subsequent events through the date that the financial statements were available to be issued, June 14, 2022 and determined that there were no events that require recognition or additional disclosure. No other subsequent events occurring after this date have been evaluated for inclusion in these financial statements.