# Financial Statements and Report of Independent Certified Public Accountants

## The Brookings Institution

June 30, 2024

**Contents**

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## REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Trustees
The Brookings Institution

### Opinion

We have audited the financial statements of The Brookings Institution ("Brookings"), which comprise the statement of financial position as of June 30, 2024, and the related statements of activities, functional expenses and cash flows for the year 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 Brookings as of June 30, 2024, 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.

### Basis for opinion

We conducted our audit of the financial statements in accordance with auditing standards generally accepted in the United States of America (US 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 Brookings and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. 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 Brookings' ability to continue as a going concern for one year after the date the financial statements are 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 US 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 US 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 Brookings' 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 Brookings' 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.

Grant Thornton LLP

Arlington, Virginia
November 26, 2024

**The Brookings Institution**

**STATEMENT OF FINANCIAL POSITION**

**June 30, 2024**
**(Dollars in Thousands)**

| | | |
|---|---|---|
| **ASSETS** | | |
| Cash and cash equivalents | $ | 22,714 |
| Receivables, net | | 29,346 |
| Investments | | 465,385 |
| Property and equipment, net | | 28,165 |
| Other assets | | 5,382 |
| Total assets | $ | 550,992 |
| **LIABILITIES AND NET ASSETS** | | |
| **Liabilities** | | |
| Accounts payable and accrued expenses | $ | 12,056 |
| Refundable advances and deferred revenue | | 5,854 |
| Note payable, net | | 41,395 |
| Other liabilities | | 3,847 |
| Total liabilities | | 63,152 |
| **Net assets** | | |
| Without donor restrictions | | 257,073 |
| With donor restrictions | | 230,767 |
| Total net assets | | 487,840 |
| Total liabilities and net assets | $ | 550,992 |

The accompanying notes are an integral part of this financial statement.

**The Brookings Institution**

**STATEMENT OF ACTIVITIES**

**Year ended June 30, 2024**
**(Dollars in Thousands)**

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---|---|---|---|
| **Revenue and support:** | | | |
| Investment return designated for operations | $ 16,118 | $ 6,734 | $ 22,852 |
| Grants and contracts | 17,619 | 19,774 | 37,393 |
| Contributions | 4,720 | 28,196 | 32,916 |
| Program service revenue | 1,796 | - | 1,796 |
| Brookings press | 531 | - | 531 |
| Interest, dividends and currency exchange gains | 2,233 | - | 2,233 |
| Other income | 964 | - | 964 |
| Net assets released from restrictions | 57,134 | (57,134) | - |
| Total revenue and support | 101,115 | (2,430) | 98,685 |
| **Expenses:** | | | |
| Program services: | | | |
| Economic studies | 21,227 | - | 21,227 |
| Global economy and development | 20,066 | - | 20,066 |
| Foreign policy studies | 14,774 | - | 14,774 |
| Governance studies | 14,477 | - | 14,477 |
| Brookings metro | 13,352 | - | 13,352 |
| Web and communications | 2,376 | - | 2,376 |
| Institutional initiatives | 1,356 | - | 1,356 |
| Brookings press | 291 | - | 291 |
| Total program services | 87,919 | - | 87,919 |
| **Supporting services:** | | | |
| Management and general | 8,099 | - | 8,099 |
| Fundraising | 4,034 | - | 4,034 |
| Total expenses | 100,052 | - | 100,052 |
| Change in net assets before non-operating activities | 1,063 | (2,430) | (1,367) |
| **Non-operating activities:** | | | |
| Investment return in excess of amounts designated for operations | | | |
| Realized and unrealized gain on investments | 25,706 | 11,616 | 37,322 |
| Interest and dividends | 1,651 | - | 1,651 |
| Investment income allocation | (16,118) | (6,734) | (22,852) |
| Total investment return in excess of amounts designated for operations | 11,239 | 4,882 | 16,121 |
| **Other non-operating activities:** | | | |
| Post-retirement related changes | 93 | - | 93 |
| Total non-operating activities | 11,332 | 4,882 | 16,214 |
| **CHANGE IN NET ASSETS** | 12,395 | 2,452 | 14,847 |
| **Net assets:** | | | |
| Beginning | 244,678 | 228,315 | 472,993 |
| Ending | $ 257,073 | $ 230,767 | $ 487,840 |

The accompanying notes are an integral part of this financial statement.

**The Brookings Institution**

**STATEMENT OF FUNCTIONAL EXPENSES**

**Year ended June 30, 2024**
**(Dollars in Thousands)**

| | Program Services | | | | | | Supporting Services | | |
|---|---|---|---|---|---|---|---|---|---|
| | Economic Studies | Global Economy and Development | Foreign Policy Studies | Governance Studies | Brookings Metro | Other Programs | Management and General | Fundraising | 2024 Total |
| Salaries and benefits | $ 15,103 | $ 13,941 | $ 11,223 | $ 11,156 | $ 9,386 | $ 2,712 | $ 5,623 | $ 2,889 | $ 72,033 |
| Travel | 283 | 531 | 456 | 131 | 191 | 85 | 40 | 103 | 1,820 |
| Conference | 575 | 248 | 159 | 59 | 220 | 188 | - | 477 | 1,926 |
| Contractors/professional fees | 2,311 | 3,085 | 837 | 1,341 | 1,978 | 88 | 674 | 115 | 10,429 |
| Occupancy | 829 | 612 | 751 | 562 | 500 | 221 | 543 | 154 | 4,172 |
| Editing and publishing | 183 | 150 | 18 | 69 | 12 | 69 | 1 | 29 | 531 |
| Information technology | 677 | 661 | 472 | 443 | 467 | 418 | 392 | 12 | 3,542 |
| Other direct costs | 694 | 391 | 367 | 327 | 257 | 80 | 472 | 174 | 2,762 |
| Interest | 137 | 101 | 125 | 93 | 83 | 37 | 84 | 26 | 686 |
| Depreciation and amortization | 435 | 346 | 366 | 296 | 258 | 125 | 270 | 55 | 2,151 |
| Total expenses | $ 21,227 | $ 20,066 | $ 14,774 | $ 14,477 | $ 13,352 | $ 4,023 | $ 8,099 | $ 4,034 | $ 100,052 |

The accompanying notes are an integral part of this financial statement.

**The Brookings Institution**

**STATEMENT OF CASH FLOWS**

**Year ended June 30, 2024**
**(Dollars in Thousands)**

| | |
|---|---|
| **Cash flows from operating activities:** | |
| Change in net assets | $ 14,847 |
| Adjustments to reconcile change in net assets to net cash used in operating activities: | |
| Depreciation expense | 2,135 |
| Loss on disposal of equipment | 242 |
| Amortization of discount on receivables | 1,307 |
| Change in allowance for receivables | (548) |
| Contributions restricted in perpetuity to endowment | (965) |
| Amortization of bond issuance costs | 16 |
| Realized and unrealized gains | (37,322) |
| Changes in assets and liabilities: | |
| (Increase) decrease in: | |
| Receivables | 3,817 |
| Other assets | 1,037 |
| Increase (decrease) in: | |
| Accounts payable and accrued expenses | (854) |
| Refundable advances and deferred revenue | 1,612 |
| Other liabilities | (1,431) |
| Net cash used in operating activities | (16,107) |
| **Cash flows from investing activities:** | |
| Purchases of investments | (113,745) |
| Proceeds from sales of investments | 132,587 |
| Purchases of property and equipment | (2,440) |
| Net cash provided by investing activities | 16,402 |
| **Cash flows from financing activities:** | |
| Principal payments on note payable | (844) |
| Receipts on endowment promises to give | 965 |
| Net cash provided by financing activities | 121 |
| **NET INCREASE IN CASH AND CASH EQUIVALENTS** | 416 |
| **Cash and cash equivalents** | |
| Beginning | 22,298 |
| Ending | $ 22,714 |
| **Supplemental disclosure of cash flow information:** | |
| Cash paid for interest | $ 685 |

The accompanying notes are an integral part of this financial statement.

## NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

### *Nature of Activities*

The Brookings Institution (Brookings) is a nonprofit public policy organization that conducts in-depth, independent research with the goal of improving governance and solving problems facing society at the local, national and global levels. Brookings achieves impact by providing policy analysis and recommendations on pressing policy challenges, which are disseminated through reports, books, media appearances, op-eds, blog posts, Congressional testimony, events and opinion pieces posted on Brookings' website, as well as briefings for policymakers and their staff. Headquartered in Washington, D.C., Brookings is organized into five research programs that focus on domestic and international economics, foreign policy, international development, governance and metropolitan policy.

Brookings' funds are allocated to the following program areas:

Economic Studies: Economic Studies provides analysis of current and emerging economic issues to promote innovative and practical policy solutions.

Global Economy and Development: Global Economy and Development generates actionable insights and tools to address shared challenges and achieve a more equitable, sustainable, and prosperous world for all.

Foreign Policy Studies: Foreign Policy is the leading center of policy-relevant scholarship exploring the major challenges to international peace and security.

Governance Studies: Governance Studies and its scholars are dedicated to strengthening democracy and improving its institutions through research and expert analysis to inform public debate and provide solutions for the most critical governance challenges.

Brookings Metro: Brookings Metro is the nation's leading source of ideas and action to create more prosperous, just and resilient communities.

Web and Communications: The Central Communications team promotes the work of Brookings scholars to a wide range of niche and general audiences and protects and maintains the Brookings brand. In coordination with research program staff, Central Communications provides strategic counsel, manages the Brookings website and digital footprint (including social media properties and newsletters), oversees public Brookings events, and serves as producer for the Brookings Podcast Network.

Institutional Initiatives: Includes research initiatives of the Executive Office, cross-program research efforts, and university partnerships.

Brookings Press: The Brookings Press publishes public policy research books from Brookings' own scholars, as well as outside authors. The publications provide extensive background and insight on important public policy issues in business, economics, government, and international affairs.

A summary of Brookings' significant accounting policies follows:

### *Basis of Accounting*

Brookings' financial statements are presented on the accrual basis of accounting. In accordance with accounting principles generally accepted in the United States of America (U.S. GAAP), unconditional gifts and grants, including promises to give, are recorded when received, other revenue is recognized when earned, and expenses are recognized when the obligations are incurred.

### *Basis of Presentation*

The financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) in its Accounting Standards Codification (ASC). As required by the Non-Profit Entities topic of the Codification, *Financial Statements of Not-for-Profit Organizations*, Brookings is required to report information regarding its financial position and activities according to two classes of net assets: with donor restrictions and without donor restrictions.

### *Net Assets*

Brookings' resources are classified for accounting and reporting purposes into net asset groups based on the existence or absence of donor-imposed restrictions. The net asset groups are as follows:

- *Net Assets Without Donor Restrictions*: Resources available to support Brookings' general operations and includes board-designated net assets and quasi-endowment funds.

- *Net Assets With Donor Restrictions*: Resources received by Brookings from contributors or grantors that are purpose-restricted, time-restricted or both purpose and time restricted. Time restrictions include resources received with donor instructions that they be held by Brookings in perpetuity. Investment earnings on these perpetual assets with purpose restrictions accrue to the purpose stipulated by the donor, if applicable.

In February 2015, a second reserve was established, to be funded with up to $0.5 million excess net assets without donor restrictions each year, on a discretionary basis. On July 22, 2021, the Brookings's Budget and Finance Committee resolved that Strategic Reserve II will be held for future unfunded institutional strategic priorities. The amount of net assets without donor restrictions in this board-designated strategic reserve amounted to $5.5 million.

### *Cash and Cash Equivalents*

Cash includes currency on hand and demand deposits held by financial institutions. Cash equivalents include short-term, highly liquid investments that are readily convertible to known amounts of cash and have original maturities of three months or less.

Cash in U.S. banks may, at times, exceed federally insured limits. Brookings has not experienced any losses in such accounts and believes its exposure to such losses is not currently a material risk.

### *Receivables*

Receivables include grants and contracts and promises to give as follows:

- *Grants and Contracts*: Grants and contracts receivable are carried at original unbilled or invoiced amount, less an estimate made for doubtful receivables based on a review of all outstanding amounts.

- *Promises to Give*: Unconditional promises to give are recorded as contribution revenue upon receipt of the promise. Promises expected to be collected within one year are recorded at their net realizable value. Promises expected to be collected beyond one year are recorded at the net present value of anticipated future cash flows. An allowance for uncollectible contributions receivable is provided based upon management's judgment of potential defaults.

Receivables are recorded at their net realizable value. Accounts past due are individually analyzed for collectability. When all collection efforts have been exhausted, the account is written off against an allowance account. Management annually adjusts the allowance account based upon its estimate of those accounts receivable it believes to be uncollectible. The allowance at June 30, 2024, was $0.35 million.

***Investments***

Investments consist of U.S. Treasury funds, money market funds, separately managed equity securities and shares held in pooled funds and partnerships. These investments include both foreign and domestic securities. As part of the respective underlying strategies, the investment managers employ various financial strategies, all of which carry a certain degree of risk of investment loss. Specifically, market risk relates to the possibility that invested assets within a particular strategy may experience loss due to prevailing market conditions. Brookings has adopted a diversified asset allocation policy to avoid undue concentration of risk and to take advantage of market inefficiencies.

Investments are stated at fair value in the financial statements. 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. The estimated fair value of investments that are not listed on national markets or over-the-counter markets and for which quoted market prices are not available, and which are generally subject to certain withdrawal restrictions, is provided by the general partners or external investment managers and may be based on historical cost, appraisals, obtainable prices for similar assets or other estimates. Because of the inherent uncertainty of the valuation of these investments and in certain of the underlying investments held by the fund managers, values for those investments may differ from values that would have been used had a ready market for the investments existed. Brookings reviews and evaluates the values provided by its investment managers and agrees with the valuation methods and assumptions used in determining the fair value as of the reporting date. These financial investments include both assets and liabilities in the underlying partnership funds, which are combined into a net asset value (NAV). Future events could impact asset valuations and estimates of fair value related to liabilities. For disclosure of fair value inputs and valuation techniques see Note 5.

Unrealized gains and losses are determined by comparison of cost to fair value at the beginning and end of each reporting period. Realized gains and losses on sales of investments are recorded on the trade date of the transaction. Interest is recorded when earned. Dividends are accrued as of the ex-dividend date.

Donated investments are recorded in the financial statements at fair value on the date of donation.

***Derivative Financial Instruments and Hedging Activities***

Brookings invests with certain funds that may utilize various derivative strategies (e.g., options, warrants, futures, swaps, etc.). Derivatives are traded contracts whose value is derived from the price movements of an underlying security, and they are typically used to hedge certain types of investment risk (e.g., interest rate, currency, etc.) or otherwise meet the stated objectives of the fund.

***Financial Instruments with Off-Balance Sheet Risk***

In the course of the trading activities entered into by Brookings' various investment managers, certain financial instruments involve, to varying degrees, elements of market risk and credit risk in excess of the amounts recorded in the financial statements. As previously stated, market risk is the potential for changes in the value of investment assets due to market forces, including the interest and foreign exchange rate movements and fluctuations that are embedded in the security prices. This risk is also affected by the volatility and liquidity of the markets in which the related underlying assets are traded. Credit risk is the possibility that a loss may occur due to the failure of the counterparty to meet its financial obligation as stated in the terms of the contract. Brookings' risk of loss in the event of counterparty default is typically limited to the amounts recognized in the accompanying statement of financial position and does not include the notional amounts of the specific contracts.

***Fair Value Measurements***

The ASC topic on fair value measurement for financial assets and liabilities measured on a recurring basis defines fair value and establishes a framework for measuring fair value in accordance with U.S. GAAP. The topic emphasizes that fair value is a market-based measurement, not an entity-specific measurement and, therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability.

As a basis for considering market participant assumptions in fair value measurements, the topic established a fair value hierarchy based upon the transparency of the inputs to the valuation of an asset or liability. These inputs may be observable, whereby, the market participant assumptions are developed based on market data obtained from independent sources, and unobservable, whereby, assumptions about market participant assumptions are developed by the reporting entity based on the best information available in the circumstances. The three levels of the fair value hierarchy are described as follows:

Level 1 - Inputs based on quoted prices (unadjusted) in active markets for identical assets or liabilities accessible at the measurement date.

Level 2- Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly, such as quoted prices for similar assets or liabilities in active markets.

Level 3 - Unobservable inputs for the asset or liability, including the reporting entity's own assumptions in determining the fair value measurement.

Brookings' assets and liabilities measured at fair value on a recurring basis as of June 30, 2024, are presented in accordance with the fair value measurement standards in Note 5.

***Property, Equipment and Depreciation***

All acquisitions of furniture and equipment greater than $0.005 million, including computer equipment and software, are capitalized at cost, and are depreciated using the straight-line method over the estimated useful lives of the assets, which range from 3 to 20 years, with no salvage value. Costs incurred in the development of software for internal use are expensed during the preliminary and post-implementation operation stages, including data conversion, training, and maintenance costs. Costs incurred during the application development stage of software development are capitalized. The buildings are stated at cost and are depreciated using the straight-line method over an estimated useful life of 50 years, with no salvage value. Building improvements greater than $0.005 million are capitalized and amortized using the straight-line method over the remaining estimated life of the related building or the estimated life of the asset, whichever is less. Expenditures for minor repairs and maintenance costs are expensed when incurred. Land and artwork are recorded at cost or fair value at time of donation. Upon the retirement or disposal of assets, the cost and accumulated depreciations are eliminated from the respective accounts and the resulting gain or loss is included in revenue or expenses.

***Valuation of Long-Lived Assets***

Brookings accounts for the valuation of long-lived assets by reviewing such assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The recoverability of the long-lived asset is measured by a comparison of the carrying amount of the asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the estimated fair value of the assets. Assets to be disposed of are reportable at the lower of the carrying amount or fair value, less costs to sell. There were no impairments of long-lived assets during the year ended June 30, 2024.

### *Revenue Recognition*

Brookings recognizes unconditional contributions, non-federal grants and contracts, including unconditional promises to give, as revenue in the period received, and/or when unconditional promises are received. All unconditional contributions, non-federal grants and contracts are considered available for unrestricted use, unless restricted by the donor. Unconditional gifts, grants and contracts expected to be collected within one year are recorded at net realizable value. Unconditional gifts, grants and contracts expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on these amounts are computed using market rates that are commensurate with the risks identified. The portion of unconditional gifts, grants and contracts that was discounted in prior fiscal years but is collected in the current year is recorded as revenue in the current year. Contributions, non-federal grants and contracts that have been committed to Brookings but have not been received are reflected as receivables in the accompanying statement of financial position.

Net assets with donor restrictions become net assets without donor restrictions when the respective time restriction expires, or during the period the funds are used for the donor-restricted purpose. The conversion of net assets with donor restrictions to net assets without donor restrictions is reported in the accompanying statement of activities as net assets released from restrictions.

Brookings receives funding under grants and contracts from the U.S. government and other grantors for direct and indirect program costs. This funding is subject to contractual restrictions which must be met through incurring qualifying expenses for particular programs. Such grants are considered conditional contributions due to these imposed barriers and right of return or release and are recorded as revenue without donor restrictions to the extent that related conditions are met. Amounts received from these sources but not yet earned are reported as refundable advances in the accompanying statement of financial position.

### *Allocation of Expenses*

The costs of providing various programs and supporting activities have been summarized on a functional basis in the accompanying statement of activities and statement of functional expenses. Accordingly, certain costs have been allocated among the program and supporting services benefited. Occupancy expenses, such as depreciation and amortization, rent, interests, and insurance are allocated to programs and supporting services, based on calculated use of the square footage of buildings.

### *Measure of Operations*

The statement of activities separately reports changes in net assets from operating and changes in net assets from non-operating activities. Operating activities consist primarily of revenues and expenses related to ongoing research programs and administrative activities, including contributions and grants, investment income from operating cash accounts and investment return appropriated from long-term investments. Non-operating activities consist primarily of returns generated by long-term investments in excess of amounts appropriated for operating activities and changes in the value of post-retirement benefit obligations.

### *Income Taxes*

Brookings follows guidance that clarifies the accounting for uncertainty in tax positions taken or expected to be taken in a tax return, including issues relating to financial statement recognition and measurement. This guidance provides that the tax effects from an uncertain tax position can only be recognized in the financial statements if the position is “more-likely-than-not” to be sustained if the position were to be challenged by a taxing authority. The assessment of the tax position is based solely on the technical merits of the position, without regard to the likelihood that the tax position may be challenged.

Brookings is exempt from federal income tax under Internal Revenue Code (IRC) Section 501(c)(3), though it is subject to tax on income unrelated to its exempt purpose, unless that income is otherwise excluded by the IRC. Brookings has processes presently in place to ensure the maintenance of its tax-exempt status; to identify and report unrelated income; to determine its filing and tax obligations in jurisdictions for which it has nexus; and to identify and evaluate other matters that may be considered tax positions. Brookings has determined that there are no material uncertain tax positions that require recognition or disclosure in the accompanying financial statements.

***Use of Estimates***

The preparation of financial statements 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.

***Leases***

In February 2016, the FASB issued ASC Topic 842, *Leases*, to increase transparency and comparability among organizations related to their leasing arrangements. The update requires lessees to recognize most leases on their balance sheets as a right-of-use (ROU) asset representing the right to use an underlying asset and a lease liability representing the obligation to make lease payments over the lease term, measured on a discounted basis. Topic 842 also requires additional disclosure of key quantitative and qualitative information for leasing arrangements. Like the previous lease guidance, the update retains a distinction between finance leases and operating leases, with classification affecting the pattern of expense recognition in the statement of activities.

Brookings determines if an arrangement is or contains a lease at inception, which is the date on which the terms of the contract are agreed to, and the agreement creates enforceable rights and obligations. A contract is or contains a lease when (i) explicitly or implicitly identified assets have been deployed in the contract and (ii) Brookings obtains substantially all the economic benefits from the use of that underlying asset and directs how and for what purpose the asset is used during the term of the contract. Brookings also considers whether its service arrangements include the right to control the use of an asset.

Brookings made an accounting policy election available under Topic 842 not to recognize ROU assets and lease liabilities for leases with a term of 12 months or less. For all other leases, ROU assets and lease liabilities are measured based on the present value of future lease payments over the lease term at the commencement date of the lease. The ROU assets also include any initial direct costs incurred and lease payments made at or before the commencement date and are reduced by any lease incentives. To determine the present value of lease payments, Brookings made an accounting policy election to utilize its' borrowing rate for the asset class, which is aligned with the lease term at the lease commencement date.

Future lease payments may include fixed rent escalation clauses or payments that depend on an index (such as the consumer price index), which is initially measured using the index or rate at lease commencement. Subsequent changes of index and other periodic market-rate adjustments to base rent are recorded in variable lease expense in the period incurred. Residual value guarantees or payments for terminating the lease are included in the lease payments only when it is probable, they will be incurred.

Brookings has made an accounting policy election to account for lease and non-lease components in its contracts as a single lease component for its real estate, vehicle and equipment asset classes. The non-lease components typically represent additional services transferred to Brookings, such as common area maintenance for real estate, which are variable in nature and recorded in variable lease expense in the period incurred.

ROU assets and lease liabilities are included within other assets and other liabilities, respectively, on the statement of financial position.

## NOTE 2 - FINANCIAL ASSETS AND LIQUIDITY RESOURCES

ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, requires a nonprofit entity to present information about the availability of and how it manages its liquid available resources to meet cash needs for general expenditures within one year of the date of the statement of financial position.

Brookings has various sources of liquidity at its disposal, including cash and cash equivalents, investments, receivables due within one year and a line of credit (see Note 9). Brookings manages these financial resources to balance investment return on funds not required for operations with other objectives. As part of liquidity management, Brookings invests cash in excess of six-month requirements in lower risk liquid short-term investments. Brookings looks to operate with a balanced budget and, in conjunction with its cash management procedure, monitor budget and forecast performance metrics. The most significant element of the Brookings business model is the ongoing pursuit of contributions and grants to support its mission. Since grantors typically provide advance funding to support project activities, the cost of these activities is generally cash-neutral, and thereby mitigates the risk of cash shortfalls necessitating utilization of Brookings' prior year resources, reserves or the line of credit.

Financial assets and liquidity resources available for general expenditure within one year of the June 30, 2024 statement of financial position include the following (dollars in thousands):

| | | |
|---|---|---|
| Financial assets available on June 30, 2024: | | |
| Cash and cash equivalents | $ | 22,714 |
| Accounts receivable due in one year | | 19,271 |
| Investments: | | |
| Board-directed reserve | | 5,505 |
| Short-term investments | | 20,131 |
| Financial assets available on June 30, 2024, for current use | $ | 67,621 |

## NOTE 3 - RECEIVABLES

Receivables consist of unconditional contributions and also eligible expenses incurred on conditional grants after conditions are met. Receivables are expected to be collected within one year and are recorded at their net realizable value. Grants and contributions expected to be collected after one year are recorded at their present value using a discount rate ranging between 6.28% and 6.38% for the respective periods of collection. As of June 30, 2024, receivables were due as follows (dollars in thousands):

| | | |
|---|---|---|
| Less than one year | $ | 19,271 |
| One to five years | | 12,599 |
| More than five years | | 200 |
| | | 32,320 |
| Less: allowance for doubtful accounts | | (352) |
| Less: unamortized discount to present value | | (2,372) |
| | $ | 29,346 |

Brookings has conditional grants from grantors and donors totaling $33.25 million as of June 30, 2024. Future payments are contingent upon Brookings satisfying donor-imposed barriers and rights of return to the donors stipulated by the grant agreement.

## NOTE 4 - INVESTMENTS

Investments are stated at fair value and include cash equivalents held for investment purposes. As of June 30, 2024, investments consist of the following (dollars in thousands):

| | |
|---|---|
| Investments: | |
| Money market funds | $ 7,339 |
| U.S. Treasury funds | 24,478 |
| Developed market public equities | |
| Separately managed | 19,735 |
| Pooled funds | 140,073 |
| Equity-biased funds | 60,893 |
| Emerging market equities funds | 39,575 |
| Hedge and credit strategies | 52,572 |
| Venture capital and partnerships | |
| Real assets | 58,199 |
| Private equity | 42,390 |
| | 445,254 |
| Other investments: | |
| Money market funds | 10,548 |
| U.S. Treasury funds | 9,583 |
| | 20,131 |
| Total investments | $ 465,385 |

## NOTE 5 - FAIR VALUE MEASUREMENTS

The following table summarizes Brookings' investments measured at fair value on a recurring basis as of June 30, 2024, in accordance with fair value measurement standards (dollars in thousands):

| | Total Fair Value | Quoted Prices in Active Markets for identical Assets/ Liabilities (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Observable Inputs (Level 3) | Investments Measured at NAV[a] |
|---|---|---|---|---|---|
| Investments: | | | | | |
| Money market funds | $ 7,339 | $ 7,339 | $ - | $ - | $ - |
| U.S. Treasury funds | 24,478 | 24,478 | - | - | - |
| Long-biased equities: | | | | | |
| Developed market public funds | 26,191 | 8,156 | 18,035 | - | - |
| Real assets | 13,814 | - | 13,814 | - | - |
| Total marketable investments | 71,822 | 39,973 | 31,849 | - | - |
| Non-marketable alternatives | 373,432 | - | - | - | 373,432 |
| Total investments | 445,254 | 39,973 | 31,849 | - | 373,432 |
| Other investments: | | | | | |
| Money market funds | 10,548 | 10,548 | - | - | - |
| U.S. Treasury funds | 9,583 | 9,583 | - | - | - |
| Total other investments | 20,131 | 20,131 | - | - | - |
| Total assets held at fair value | $ 465,385 | $ 60,104 | $ 31,849 | $ - | $ 373,432 |

[a] Investments measured at fair value using the NAV per share (or its equivalent) practical expedient have not been included within the fair value hierarchy. The fair value amounts presented in this table, are intended to permit reconciliation of the fair value hierarchy to amounts presented in the statement of financial position.

Brookings used the following methods and significant assumptions to estimate the fair value its investments recorded at fair value:

### *U.S. Treasury Funds, Money Market Funds and Other Long-Biased Equities*

Valued using pricing models, quoted prices in active markets, quoted prices of securities with similar characteristics or discounted cash flows.

### *Investments Valued at Net Asset Value*

These investments include hedge funds, partnerships and other long-biased equities that are subject to certain liquidity restrictions and generally have no established trading market. Fair value is determined based on the investment's NAV as provided by the fund's management or the general partner of the respective fund. The fair values are based on third-party appraisals, discounted cash flow models and publicly traded companies, among other inputs. Brookings has performed significant due diligence around the valuation of these investments, including assessments of factors such as manager compliance, price transparency and valuation procedures in place and the ability to redeem at NAV at the measurement date and the existence of certain redemption restrictions at the measurement date, to ensure NAV is an appropriate measure of fair value as of June 30, 2024.

The following table details Brookings' investment funds valued as NAV, as of June 30, 2024 (dollars in thousands):

| | Fair Value | Unfunded Commitments | Redemption Frequency if Currently Eligible | Redemption Notice Period (Days) |
|---|---|---|---|---|
| Developed market public equities | $ 133,617 | $ - | Daily, weekly, monthly, quarterly, annually, to illiquid | 0-90 days to n/a |
| Emerging markets equity | 39,575 | - | Daily, monthly, quarterly, annually, to illiquid | 0-90 days to n/a |
| Equity-biased | 60,893 | - | Quarterly, annually, to illiquid | 45-60 days to n/a |
| Real assets | 44,385 | 19,079 | Illiquid | n/a |
| Private equity | 42,390 | 18,495 | Illiquid | n/a |
| Credit | 52,572 | 12,352 | Annually, illiquid | 60 days to n/a |
| Total investments at NAV | $ 373,432 | $ 49,926 | | |

Developed Market Public Equities: Consists of passive and actively-managed funds invested in public-traded stocks of companies in the US and in advanced economies outside the US. The passive funds include exchange-traded as well as commingled-trust funds and are indexed either to specific economic sectors or to broad market benchmarks. The active fund managers may specialize by market capitalization and/or geography. While some of the active fund managers will short stocks, such use of leverage is modest and all are held accountable to long-only benchmarks. Certain funds within this category totaling $13.8 million do not permit redemption during the life of the fund.

Emerging Markets Equity: Consists of passive and actively-managed funds invested in publicly-traded stocks of companies in developing economies. Certain funds within this category totaling $4.7 million do not permit redemption during the life of the fund.

Equity-Biased Funds: Consists of actively-managed hedge funds predominantly invested long and short in publicly-traded stocks and related derivative securities, including multi-strategy funds and specialists in economically distressed companies. Certain funds within this category totaling $15.1 million do not permit redemption during the life of the fund.

Real Assets: Consists of interests in funds that invest privately in real estate, energy and infrastructure assets, as well as passive and actively-managed funds invested in publicly-traded REITs and energy company securities.

Private Equity: Consists of limited-partnership interests in funds that invest privately in low-, middle-market, and large company buyouts.

Credit: Consists of non-equity strategies, including fixed income arbitrage and funds buying or originating bonds and loans. Certain funds within this category totaling $43.2 million do not permit redemption during the life of the fund.

## NOTE 6 - PROPERTY AND EQUIPMENT, NET

Brookings held the following property and equipment as of June 30, 2024 (dollars in thousands):

| | |
|---|---|
| Land | $ 4,156 |
| Buildings and improvements | 50,495 |
| Computer equipment and software | 12,510 |
| Furniture and equipment | 5,056 |
| | 72,217 |
| Less: accumulated depreciation and amortization | (44,052) |
| | $ 28,165 |

Depreciation and amortization expense totaled approximately $2.14 million for the year ended June 30, 2024.

## NOTE 7 - NET ASSETS WITH DONOR RESTRICTIONS

At June 30, 2024, net assets with donor restrictions are as follows (dollars in thousands):

| | |
|---|---|
| Economic studies | $ 41,164 |
| Governance studies | 19,470 |
| Foreign policy studies | 22,075 |
| Institutional and President’s special initiatives | 19,271 |
| Global economy and development | 11,326 |
| Metropolitan policy | 11,438 |
| Endowment - Corpus | 106,023 |
| | $ 230,767 |

## NOTE 8 - ENDOWMENT FUNDS

Brookings’ endowment consists of individual funds established for a variety of purposes. The endowment includes donor-restricted funds to be maintained in perpetuity, and expendable funds, with and without donor restrictions, which have been designated by the Board to function as endowments, or quasi-endowments. As of June 30, 2024, Brookings’ Endowment had the following net asset composition (dollars in thousands):

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---|---|---|---|
| Donor-restricted | $ - | $ 160,191 | $ 160,191 |
| Board-designated | 288,949 | - | 288,949 |
| | $ 288,949 | $ 160,191 | $ 449,140 |

***Interpretation of Relevant Law***

Brookings has interpreted UPMIFA as requiring preservation of the original fair value of gifts received with donor instructions that the contributed resources are intended to create or to supplement a fund to be maintained in perpetuity. The perpetual assets are invested, and a portion of the earnings thereon are accumulated or are appropriated for expenditure in a manner consistent with UPMIFA. Accumulated investment earnings are classified as net assets with donor restrictions until the amounts are appropriated for expenditure.

***Performance Objectives and Spending and Investment Policies***

In accordance with UPMIFA, Brookings considers the following factors in its construct of its investment policies, including the portfolio asset allocation and spending policy:

- The duration and preservation of the fund
- The purposes of Brookings 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
- The availability of other Brookings resources

As a going concern organization intending to pursue its mission in perpetuity, the Endowment provides the core source of operational funds now and into the future, independent from and not reliant upon external revenue sources. Accordingly, the spending and investment policies are designed in tandem to earn and provide sustainable and reliable amounts annually to support Brookings' programs.

A portion of the portfolio is invested in risk-free U.S. government bonds in order to protect Brookings' immediate spending requirements. On top of this core, the portfolio is invested in diversified layers of less liquid assets that incrementally offer higher return at higher risk levels. Management monitors the portfolio allocation and rebalances as necessary between the multiple asset classes, in order to maintain an amount of liquid funds to support the institution, fulfill any investment commitments and maintain a balance of risks among the many external partners and investment strategies.

The specific amount allocated for spending is a 70/30 weighted average of the amount provided to operations in the prior year, adjusted for inflation, and the amount that represents 5% of the fair value of the spending funds within the Endowment at the prior December 31. Dramatic decreases or increases in the investment fair value are expected therefore to more modestly impact the amount available for the next year in annual support while also intending to mitigate the risk of imprudent over-spending when valuations are unreliably high. In order to provide this amount of support into the future, the Endowment must earn a real return of 5%, annualized, over the long term.

For the year ended June 30, 2024, Brookings' Endowment had the following activity (dollars in thousands):

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---|---|---|---|
| Endowment net assets, beginning of year | $ 274,710 | $ 154,834 | $ 429,544 |
| Investment income, net of fees | 27,357 | 11,616 | 38,973 |
| Transfer from operations | 3,000 | - | 3,000 |
| Contributions | - | 475 | 475 |
| Appropriations for expenditure | (16,118) | (6,734) | (22,852) |
| Endowment net assets, end of year | $ 288,949 | $ 160,191 | $ 449,140 |

***Net Assets with Donor Restrictions***

The portion of Endowment funds required to be retained in perpetuity, either by explicit donor stipulation or by UPMIFA, is as follows (dollars in thousands):

| | |
|---|---|
| Chairs and fellowships | $ 83,313 |
| General | 22,710 |
| | $ 106,023 |

The cumulative appreciation earned on endowment funds restricted in perpetuity is as follows (dollars in thousands):

| | |
|---|---|
| Without purpose restrictions, subject to appropriation | $ 7,023 |
| With purpose restrictions | 47,145 |
| | $ 54,168 |

***Funds with Deficiencies***

From time to time, the fair value of assets associated with a donor-restricted endowment fund may fall below the level that the donor or UPMIFA requires be preserved in perpetuity. Generally, such deficient conditions occur in recently created endowment funds when investment market performance has not produced a return greater than Brookings' spending rate. The calculated spending appropriation continues to be made for these funds, often referred to as "underwater," because the perpetual time horizon with which endowment assets are invested ensures any deficiency is likely to be recovered as investment assets appreciate. Accounting Standards Update 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities* modified previous guidance to now require underwater fund deficiencies be classified as net assets with donor restrictions. As of June 30, 2024, Brookings has one underwater fund in the portfolio, with original gift value of $5 million and was underwater by $0.4 million. The fair value of this underwater fund was $4.6 million as of June 30, 2024.

## NOTE 9 - LINE OF CREDIT AND NOTE PAYABLE

***Line of Credit***

Brookings has an unsecured revolving line of credit with a financial institution up to a loan amount of $5 million, renewed effective January 30, 2022. This line of credit includes an accordion feature which allows Brookings to borrow up to a total loan amount of $10 million, with the mutual consent of the financial institution for the additional $5 million. The interest rate was calculated based on the Daily Simple Secured Overnight Financing Rate (SOFR) plus 60 basis points, which was 6.07% as of June 30, 2024. There was no interest expense relating to the line of credit for the year ended June 30, 2024, due to no borrowings during the fiscal year. This credit facility has an expiration date of January 31, 2025.

***Tax-Exempt Bonds and Refinancing***

On May 21, 2020, the Institution's District of Columbia Variable Rate Revenue Bonds Series 2015, were modified and refinanced with the current bond holder, TD Bank, to lower the interest rate from 2.52% to 1.63%, subject to certain conditions; to extend the Mandatory Repurchase Date (or put) from February 1, 2030 to May 1, 2040 (with a remaining principal amount of $26.105 million scheduled to be outstanding in June 2040); and to increase the outstanding principal balance to cover the costs of issuance such that the Issue Price was $44.95 million. The Bonds have a final maturity of January 1, 2045. The refinancing allowed Brookings to realize total debt service savings. As a result of this bond refinancing, Brookings also recognized the remaining unamortized bond issuance costs as a onetime write-off in the amount of $0.28 million. For the fiscal year ended June 30, 2024, interest expense relating to the Bonds (reported as Note Payable on the statement of financial position) totaled $0.69 million.

The agreement between TD Bank and Brookings contains certain restrictive financial covenants, which management believes it is in compliance with as of June 30, 2024.

Future scheduled principal repayments under the note payable are as follows (dollars in thousands):

| Years Ending June 30, | |
|---|---|
| 2025 | $ 858 |
| 2026 | 872 |
| 2027 | 886 |
| 2028 | 901 |
| 2029 | 916 |
| Thereafter | 37,225 |
| | 41,658 |
| Unamortized debt issuance costs | (263) |
| | $ 41,395 |

## NOTE 10 - LEASES

Brookings leases office space and equipment that are classified as operating leases and have initial terms ranging from five to 15 years. Some leases include one or more options to renew, generally at Brooking's sole discretion, with renewal terms that can extend the lease term. In addition, certain leases contain termination options, where the rights to terminate are held by either Brookings, the lessor or both parties. These options to extend or terminate a lease are included in the lease terms when it is reasonably certain that Brookings will exercise that option. Brookings' operating leases generally do not contain any material restrictive covenants or residual value guarantees. Brookings is also a sub-lessor to a third party under a noncancellable multi-year lease in one lease with initial term of six years.

Operating lease cost is recognized on a straight-line basis over the lease term. Total lease costs for the year ended June 30, 2024, was $0.57 million (net of $0.82 million rental income).

On June 30, 2024, the weighted-average remaining lease term is 2.2 years and the weighted-average discount rate 4.55% for all operating leases.

Supplemental cash flow information related to leases is as follows for the year ended June 30, 2024:

| | |
|---|---|
| Cash paid or amounts included in measurement of lease liabilities: | |
| Operating cash outflows - payments on operating leases | $1.51 million |

Future undiscounted cash flows for the next four years as follows as of June 30, 2024 (dollars in thousands):

| Years Ending June 30, | |
|---|---|
| 2025 | $ 1,547 |
| 2026 | 1,581 |
| 2027 | 267 |
| Less: imputed interest | (404) |
| Total | $ 2,991 |

Brookings leases spaces to a third party under a noncancelable multi-year lease. The current lease term ends on June 30, 2024. Brookings' rental income is primarily composed of payments defined under the lease agreement and are subject to scheduled fixed increases. Additionally, rental income includes variable payment for lessee reimbursement of property related expenses. Lessor costs for certain services directly reimbursed by lessee were presented on a net basis under Topic 840 during the year ended June 30, 2022. Beginning July 1, 2023, Topic 842 requires services directly reimbursed by lessees to be presented on a gross basis in revenue and expenses.

Future minimum lease payments to be received, as determined under Topic 840, or all non-cancelable leases for each of the five succeeding fiscal years and thereafter as follows as of June 30, 2024 (dollars in thousands):

| Year Ending June 30, | |
|---|---|
| 2025 | $ 761 |
| 2026 | 778 |
| Total | $ 1,539 |

## NOTE 11 - EMPLOYEE BENEFITS

### *Post-Retirement Benefits*

Brookings sponsors a health insurance plan to provide certain medical, dental, vision and life insurance benefits to its retirees who retired by June 30, 2004. Brookings makes the same plan available, with the exception of life insurance, to its retirees who retired after June 30, 2004. The amount of premium paid by

Brookings is determined by a set cost structure. For both groups, the retiree completely pays the cost of dental and vision insurance.

Brookings has no mandatory retirement age. For employees hired before July 1, 2004, retirement is granted if the person's age is 60 or older and if the combination of the person's age and years of service totals at least 75; for those younger than age 60, the combination of age and years of service must total at least 80. For anyone hired after June 30, 2004, retirement is granted to an employee who is at least age 63½ and who has at least 10 years of service (the 63½ rule).

Effective June 30, 2011, Brookings changed the retiree medical plan eligibility conditions. The minimum age requirement under the rule of 75 was removed, but plan participation is now limited to employees who will meet the retirement eligibility requirement by June 30, 2012 (their actual retirement date can be after June 30, 2012). This change reduced the plan's projected obligations and costs. It also significantly reduced the expected years of future service of active plan participants, causing a curtailment, as defined in the applicable accounting rules. The event of a curtailment required accelerated recognition, in fiscal year 2011, of the unrecognized prior service related to prior plan amendments.

The following table summarizes the accumulated post-retirement benefit obligations, the fair value of plan assets and the funded status of the plan at June 30, 2024 (dollars in thousands):

| | |
|---|---|
| Change in benefit obligation: | |
| Accumulated post-retirement benefit obligation, beginning of fiscal year | $ 696 |
| Service cost | - |
| Interest cost | 31 |
| Plan amendments | - |
| Retiree contributions | 198 |
| Benefits paid | (255) |
| Actuarial (gain) | (67) |
| Accumulated post-retirement benefit obligation, end of fiscal year | 603 |
| Change in plan assets: | |
| Fair value of plan assets, beginning of year | |
| Employer contributions | 57 |
| Retiree contributions | 198 |
| Benefits paid | (255) |
| Fair value of plan assets, end of fiscal year | - |
| Funded status, end of fiscal year | $ (603) |

The components of the net periodic post-retirement benefit costs recognized in the accompanying statement of activities are as follows for the year ended June 30, 2024 (dollars in thousands):

| | |
|---|---|
| Service cost | $ - |
| Interest cost | 31 |
| Amortization of prior service credit | (65) |
| Recognized actuarial gain | (117) |
| Net periodic post-retirement benefit cost | $ (151) |

Amounts recognized in the statement of financial position are as follows (dollars in thousands):

| | | |
|---|---|---|
| Plan assets, beginning of year | $ | - |
| Employer contributions | | 57 |
| Retiree contributions | | 198 |
| Benefits paid | | (255) |
| Plan assets, end of year | $ | - |

Amounts recognized in net assets without donor restrictions that have not yet been recognized in net periodic post-retirement benefit cost are as follows (dollars in thousands):

| | | |
|---|---|---|
| Net gain | $ | (1,233) |
| Prior service credit | | (325) |
| Total | $ | (1,558) |

Amounts expected to be amortized from net assets without donor restrictions into net periodic benefit cost for the year ending June 30, 2025, are as follows (dollars in thousands):

| | | |
|---|---|---|
| Prior service credit | $ | (65) |
| Unrecognized gain | | (177) |
| Total | $ | (242) |

Estimated future net benefit payments net of retiree contributions are as follows (dollars in thousands):

| Years Ending June 30, | | |
|---|---|---|
| 2025 | $ | 82 |
| 2026 | | 73 |
| 2027 | | 70 |
| 2028 | | 66 |
| 2029 | | 64 |
| 2030 - 2034 | | 226 |
| Total | $ | 581 |

As the plan is unfunded, contributions are expected to be equivalent to future estimated benefit payments. Accordingly, for the year ending June 30, 2025, Brookings expects to contribute approximately $0.08 million to its post-retirement health care benefit plan.

For measurement purposes, a 6.25% annual rate of increase in the cost of health care benefits was assumed for fiscal year 2024. The rate was to decline in increments of 0.25% each year until the ultimate rate of 5.00% is reached, and to remain at that level thereafter. The health care cost trend rate assumption has an effect on the amounts reported. Actuarial gains or losses from experience varying from expected or from changes in assumptions are accumulated in a “corridor” set at 10% of the APBO. Because all the plan participants are either inactive or already fully eligible for benefits, cumulative unrecognized gain or loss in excess of the 10% corridor is amortized over the average remaining life expectancy of the inactive participants. As of June 30, 2024, there is a cumulative unrecognized gain of $1.23 million, which exceeds the corridor of $0.06 million. As a result, there is a gain amortization of $0.11 million for fiscal year 2025.

For the year ended June 30, 2024, the assumed weighted-average discount rates used in determining the accumulated post-retirement obligation and the net periodic benefit cost was 5.20%.

### *Retirement Plan*

Brookings has a 403(b) defined contribution retirement plan (the Plan). All employees are eligible to participate in the Plan for employee contributions upon hiring. An employee becomes eligible for employer contributions once the employee has completed two years of service (prior service credit maybe awarded in specific circumstances) and has attained the age of 21. Brookings' contribution to the Plan is 12% of the employee's salary, within statutory limits. Contributions to the Plan were $5.01 million for the year ended June 30, 2024.

### *Supplemental Employee Retirement Plan*

Brookings has a Section 457(b) supplemental employee retirement plan (the Plan). Under the terms of the Plan, eligible employees elect to deposit a percentage of their compensation into the Plan, subject to IRS limits. Employee deposits and accumulations are accounted for as an asset and offsetting liability on the Brookings' statement of financial position until they are distributed to the participants. Deposits and related accumulations were $0.998 million for the year ended June 30, 2024. The asset and liability are included on the statement of financial position in other assets and accounts payable and accrued expenses, respectively.

## NOTE 12 - COMMITMENTS AND CONTINGENCIES

### *Federal Awards*

Brookings receives reimbursements for expenditures under federal grants that are subject to annual audits and periodic reviews by grantor agencies. The ultimate determination of amounts reimbursed under these programs is based upon allowable costs reported to and audited by the grantor agencies or their designees. Until such audit is accepted by the government, there exists a contingent liability to refund any amounts received in excess of allowable costs. Management believes that matters arising from the federal agencies' reviews will not have a material effect on the financial position of Brookings.

### *Provisional Indirect Cost Rates*

Billings under cost-reimbursable government grants and contracts are calculated using direct rates that permit recovery of indirect costs in accordance with Brookings' negotiated indirect cost rate agreement with its cognizant agency. Brookings was granted approval by its cognizant agency of a predetermined indirect cost rate for a period of three years, ending June 30, 2025.

## NOTE 13 - SUBSEQUENT EVENTS

Brookings has evaluated subsequent events through November 26, 2024 the date on which the financial statements were available to be issued. Brookings is not aware of any subsequent events which would require recognition or disclosure in the accompanying financial statements.