

## New Accounting Standards

### Leases

On January 1, 2019, the Company adopted Accounting Standards Codification 842 “Leases” (“ASC 842”) using the modified retrospective method, reflecting any cumulative effect as an adjustment to equity. Results for reporting periods beginning on or after January 1, 2019 are presented under ASC 842, while prior period amounts were not adjusted and continue to be reported in accordance with the Company’s historical accounting under ASC 840 “Leases.”

The Company elected the permitted practical expedients not to reassess the following related to leases that commenced before the effective date of ASC 842: (i) whether any expired or existing contracts contain leases; (ii) the lease classification for any expired or existing leases; and (iii) initial direct costs for any existing leases. Upon adoption, the Company recorded right of use assets of \$41.8 million and lease liabilities of \$54.2 million. The difference between the value of the right of use assets and lease liabilities is due to the reclassification of existing deferred rent, prepaid rent, and unamortized lease incentives as of January 1, 2019.

See “Note 9. Leases” for additional information.

### Financial instruments

In June 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update No. 2016-13, “Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments,” which requires measurement and recognition of expected credit losses for financial assets measured at amortized cost, including accounts receivable, upon initial recognition of that financial asset using a forward-looking expected loss model, rather than an incurred loss model. Credit losses relating to available-for-sale debt securities should be recorded through an allowance for credit losses when the fair value is below the amortized cost of the asset, removing the concept of “other-than-temporary” impairments. The Company adopted this standard effective January 1, 2020. The adoption of this standard did not have a material effect on the Company’s financial position or results of operations.

## 3. MARKETABLE SECURITIES

As of December 31, 2019, the Company did not hold any marketable securities.

(in thousands)	December 31, 2018			
	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
Municipal bonds	\$ 44,802	\$ 13	\$ (110)	\$ 44,705
Corporate bonds	48,499	23	(226)	48,296
	<u>\$ 93,301</u>	<u>\$ 36</u>	<u>\$ (336)</u>	<u>\$ 93,001</u>

## 4. RECEIVABLES, CONTRACT ASSETS, AND DEFERRED REVENUE

### Receivables

(in thousands)	December 31, 2019	December 31, 2018
Accounts receivable	\$ 199,720	\$ 180,872
Unbilled receivables	180,219	172,656
Long-term unbilled receivables	121,736	151,237
	<u>\$ 501,675</u>	<u>\$ 504,765</u>

Unbilled receivables are client committed amounts for which revenue recognition precedes billing, and billing is solely subject to the passage of time.

Unbilled receivables are expected to be billed in the future as follows:

(Dollars in thousands)	December 31, 2019	
1 year or less	\$ 180,219	60%
1-2 years	91,132	30%
2-5 years	30,604	10%
	<u>\$ 301,955</u>	<u>100%</u>