

DC POLICY CENTER
FINANCIAL STATEMENTS
December 31, 2019

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
DC Policy Center
Washington, D.C.

We have audited the accompanying financial statements of DC Policy Center, which comprise the statement of financial position as of December 31, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

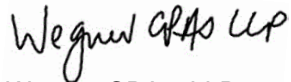
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of DC Policy Center as of December 31, 2019, 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.

Adoption of New Accounting Guidance

As discussed in Note 1 to the financial statements, DC Policy Center adopted the Financial Accounting Standards Board's Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, and all subsequently issued clarifying ASUs and ASU No. 2018-08, *Not-For-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, as of January 1, 2019. Our opinion is not modified with respect to this matter.



Wegner CPAs, LLP
Alexandria, Virginia
April 21, 2020

DC POLICY CENTER
STATEMENT OF FINANCIAL POSITION
December 31, 2019

ASSETS

CURRENT ASSETS

Cash	\$ 305,281
Current portion of unconditional promises to give	<u>95,000</u>
Total current assets	400,281

LONG-TERM ASSETS

Unconditional promises to give less current portion	<u>78,049</u>
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Total assets

\$ 478,330

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	\$ 13,998
Accrued payroll	12,036
Deferred revenue	<u>20,300</u>
Total current liabilities	46,334

NET ASSETS

Without donor restrictions	213,947
With donor restrictions	<u>218,049</u>
Total net assets	<u>431,996</u>

Total liabilities and net assets

\$ 478,330

See accompanying notes.

DC POLICY CENTER
STATEMENT OF ACTIVITIES
Year Ended December 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Contributions and grants	\$ 943,218	\$ 258,049	\$ 1,201,267
Paid research	114,050	-	114,050
Total support and revenue	1,057,268	258,049	1,315,317
EXPENSES			
Research	579,950	-	579,950
Management and general	237,575	-	237,575
Fundraising	164,469	-	164,469
Total expenses	981,994	-	981,994
NET ASSETS RELEASED FROM RESTRICTIONS			
Expiration of time restrictions	60,000	(60,000)	-
Satisfaction of purpose restrictions	164,173	(164,173)	-
Net assets released from restrictions	224,173	(224,173)	-
Change in net assets	299,447	33,876	333,323
Net assets at beginning of year	(85,500)	184,173	98,673
Net assets at end of year	<u>\$ 213,947</u>	<u>\$ 218,049</u>	<u>\$ 431,996</u>

See accompanying notes.

DC POLICY CENTER
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2019

	<u>Research</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Expenses</u>
Personnel	\$ 487,315	\$ 192,057	\$ 142,401	\$ 821,773
Professional fees	26,226	10,184	-	36,410
Office expenses	2,737	2,638	800	6,175
Conferences and meetings	-	5,456	-	5,456
Insurance	2,476	976	724	4,176
Occupancy	44,831	17,669	13,100	75,600
Advertising	-	2,146	-	2,146
Information technology	16,365	6,449	4,782	27,596
Travel	-	-	2,662	2,662
Total expenses	<u>\$ 579,950</u>	<u>\$ 237,575</u>	<u>\$ 164,469</u>	<u>\$ 981,994</u>

See accompanying notes.

DC POLICY CENTER
STATEMENT OF CASH FLOWS
Year Ended December 31, 2019

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$ 333,323
Adjustments to reconcile change in net assets to net change in cash	
Increase in assets	
Unconditional promises to give	(97,049)
Increase in liabilities	
Accounts payable	13,998
Accrued payroll	12,036
Deferred revenue	<u>20,300</u>
Net change in cash	282,608
Cash at beginning of year	<u>22,673</u>
Cash at end of year	<u><u>\$ 305,281</u></u>

See accompanying notes.

DC POLICY CENTER
NOTES TO FINANCIAL STATEMENTS
December 31, 2019

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Established in 2016, DC Policy Center (Organization) is a non-partisan think tank committed to advancing policies for a strong and vibrant economy in the District of Columbia. The Organization informs policymaking by offering data and analyses on the District's economy and demography. The Organization engages in policymaking by developing and promoting policy proposals, building coalitions to facilitate their adoption, and providing the strongest evidence and the most convincing arguments in support of our policy agenda. Our main audience includes key members of the District's policy world who collectively shape the direction of policy in the District, such as the Mayor and executive appointees; Councilmembers and their staff; career civil servants; and engaged advocates, employers, business groups, associations, academics, and analysts.

Promises to Give

Unconditional promises to give are recognized as revenues in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

Contributions

Contributions received are recorded as increases in net assets without donor restrictions or net assets with donor restrictions depending on the existence and/or nature of any donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Paid Research

The Organization conducts policy and educational research for third party payors in which a contract is entered into specifying specific deliverables and the fixed fees earned for the research. Revenue from this research is recognized at the point in time when the Organization provides the particular service.

Expense Allocation

The financial statements report certain categories of expenses that are attributable to more than one program service or supporting activity. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include personnel, occupancy, office, insurance, and information technology which are allocated on the basis of estimates of time and effort.

Advertising

Advertising costs are expensed in the period incurred.

DC POLICY CENTER
NOTES TO FINANCIAL STATEMENTS
December 31, 2019

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income Tax Status

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2).

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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.

Adoption of New Accounting Guidance

On May 28, 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The ASU and all subsequently issued clarifying ASUs supersedes the revenue recognition requirements and most industry-specific guidance in U.S. generally accepted accounting principles. The core principle of the new guidance is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The new guidance also includes a cohesive set of disclosure requirements that will provide users of the financial statements with comprehensive information about the nature, amount, timing, and uncertainty of revenue and cash flows arising from the entity's contracts with customers.

The Organization adopted the requirements of the new guidance as of January 1, 2019, using the modified retrospective method of transition. In applying the new guidance, the Organization elected to use the practical expedient that allows the guidance to be applied only to contracts that were not complete as of January 1, 2019.

The Organization's revenue from contracts with customers, which consists of paid research, is recognized at a point in time when specific deliverables are provided to the customer. In addition, the Organization's contracts do not contain variable consideration and contract modifications are generally minimal.

The adoption of the new guidance did not have a significant impact on the Organization's financial statements. Based on the Organization's evaluation process and review of its contracts with customers, the timing and amount of revenue recognized previously is consistent with how revenue is recognized under the new guidance.

DC POLICY CENTER
NOTES TO FINANCIAL STATEMENTS
December 31, 2019

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

On June 21, 2018, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The ASU provides a more robust framework for evaluating whether transactions such as grants and similar contracts with government agencies and others should be accounted for as exchange transactions or contributions. The ASU also assists entities in determining whether a contribution is conditional. The Organization adopted the requirements of the ASU as of January 1, 2019. The changes in the ASU have been applied on a modified prospective basis, that is, the changes have been applied to agreements that are either not completed as of January 1, 2019, or entered into after that date.

Date of Management's Review

Management has evaluated subsequent events through April 21, 2020, the date which the financial statements were available to be issued.

NOTE 2—PROMISES TO GIVE

Unconditional promises to give are as follows:

Receivable in less than one year	\$ 95,000
Receivable in one to five years	<u>80,000</u>
Total unconditional promises to give	175,000
Less discounts to present value	<u>(1,951)</u>
Unconditional promises to give	<u><u>\$ 173,049</u></u>

Unconditional promises to give receivable in more than one year are discounted at 2.5%.

NOTE 3—NET ASSETS

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

Subsequent years' operations	\$ 158,049
Education	<u>60,000</u>
Net assets with donor restrictions	<u><u>\$ 218,049</u></u>

NOTE 4—RETIREMENT PLAN

The Organization offers its employees a 401(k) retirement plan, in which both the Organization and eligible employees can contribute. Full-time employees are eligible to participate in the plan after successfully completing six months of service. Employees are immediately 100% vested in the retirement plan and the Organization matches employee contributions, up to 6%. Retirement plan expense totaled \$23,907 for the year ended December 31, 2019.

DC POLICY CENTER
NOTES TO FINANCIAL STATEMENTS
December 31, 2019

NOTE 5—LEASE

The Organization sub-leases office space in Washington, D.C. on a month to month basis. Rent expense for this lease totaled \$75,600 for the year ended December 31, 2019.

NOTE 6—CONCENTRATIONS

Donor Concentration

Approximately 70% of the Organization's support and revenue was provided by 7 donors for the year ended December 31, 2019.

Credit Risk

The Organization maintains its cash balances in three financial institutions located in Washington, DC. The balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. At December 31, 2019, The Organization's uninsured cash balances total approximately \$63,000.

NOTE 7—LIQUIDITY AND AVAILABILITY

The following reflects the Organization's financial assets as of the date of the statement of financial position, reduced by amounts not available for general expenditure within one year of the date of the statement of financial position because of donor-imposed restrictions.

Financial assets at year-end	\$ 478,330
Less those unavailable for general expenditures within one year, due to:	
Restricted by donor with time or purpose restrictions	<u>(138,049)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 340,281</u>

The Organization is supported, in part, by restricted contributions and grants. Because a donor's restriction requires resources to be used in a particular manner or in a future period, the Organization must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for expenditure within one year. As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

NOTE 8—SUBSEQUENT EVENT

The Organization's operations may be affected by the recent and ongoing COVID-19 outbreak that was declared a pandemic by the World Health Organization in March 2020. The ultimate disruption and effect on the Organization is uncertain; however, it may result in a material adverse impact on the Organization's financial position, activities, and cash flows. Possible effects may include, but are not limited to, disruption to the Organization's donors and revenues, absenteeism in the Organization's workforce, and a decline in value assets held by the Organization.