

DC POLICY CENTER

FINANCIAL STATEMENTS

December 31, 2020 and 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 statements of financial position as of December 31, 2020 and 2019, and the related statements of activities, functional expenses, and cash flows for the years 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 audits. We conducted our audits 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, 2020 and 2019, and the changes 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.



Wegner CPAs, LLP
Alexandria, Virginia
April 20, 2021

DC POLICY CENTER
STATEMENTS OF FINANCIAL POSITION
December 31, 2020 and 2019

	2020	2019
ASSETS		
CURRENT ASSETS		
Cash	\$ 1,029,225	\$ 305,281
Accounts receivable	31,600	-
Current portion of unconditional promises to give	100,000	95,000
Total current assets	1,160,825	400,281
LONG-TERM ASSETS		
Unconditional promises to give less current portion	-	78,049
Total assets	\$ 1,160,825	\$ 478,330
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 1,154	\$ 13,998
Accrued payroll	14,962	12,036
Current portion of Economic Impact Disaster Loan	6,789	-
Deferred revenue	-	20,300
Total current liabilities	22,905	46,334
LONG-TERM LIABILITIES		
Economic Impact Disaster Loan less current portion	493,211	-
Total liabilities	516,116	46,334
NET ASSETS		
Without donor restrictions	514,709	213,947
With donor restrictions		
Subsequent years' operations	80,000	158,049
Education	50,000	60,000
Total net assets	644,709	431,996
Total liabilities and net assets	\$ 1,160,825	\$ 478,330

See accompanying notes.

DC POLICY CENTER
STATEMENT OF ACTIVITIES
Year Ended December 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Contributions and grants	\$ 1,160,541	\$ 100,000	\$ 1,260,541
Paid research	137,650	-	137,650
Total support and revenue	1,298,191	100,000	1,398,191
EXPENSES			
Research	759,678	-	759,678
Management and general	276,217	-	276,217
Fundraising	149,583	-	149,583
Total expenses	1,185,478	-	1,185,478
NET ASSETS RELEASED FROM RESTRICTIONS			
Expiration of time restrictions	78,049	(78,049)	-
Satisfaction of purpose restrictions	110,000	(110,000)	-
Net assets released from restrictions	188,049	(188,049)	-
Change in net assets	300,762	(88,049)	212,713
Net assets at beginning of year	213,947	218,049	431,996
Net assets at end of year	<u>\$ 514,709</u>	<u>\$ 130,000</u>	<u>\$ 644,709</u>

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
STATEMENTS OF FUNCTIONAL EXPENSES
Years Ended December 31, 2020 and 2019

	2020			
	Research	Management and General	Fundraising	Total Expenses
Personnel	\$ 542,685	\$ 224,646	\$ 133,047	\$ 900,378
Professional fees	149,950	16,800	-	166,750
Office expenses	1,358	1,839	333	3,530
Conferences and meetings	-	5,123	-	5,123
Insurance	1,079	446	264	1,789
Occupancy	50,630	20,958	12,412	84,000
Advertising	-	619	-	619
Information technology	13,976	5,786	3,427	23,189
Travel	-	-	100	100
Total expenses	\$ 759,678	\$ 276,217	\$ 149,583	\$ 1,185,478
	2019			
	Research	Management and General	Fundraising	Total Expenses
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	\$ 579,950	\$ 237,575	\$ 164,469	\$ 981,994

See accompanying notes.

DC POLICY CENTER
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2020 and 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 212,713	\$ 333,323
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Amortization of discount on unconditional promises to give	(1,951)	-
(Increase) decrease in assets		
Unconditional promises to give	75,000	(97,049)
Accounts receivable	(31,600)	-
Increase (decrease) in liabilities		
Accounts payable	(12,844)	13,998
Accrued payroll	2,926	12,036
Deferred revenue	(20,300)	20,300
Net cash flows from operating activities	223,944	282,608
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Economic Impact Disaster Loan	500,000	-
Change in cash	723,944	282,608
Cash at beginning of year	305,281	22,673
Cash at end of year	\$ 1,029,225	\$ 305,281

See accompanying notes.

DC POLICY CENTER
NOTES TO FINANCIAL STATEMENTS
December 31, 2020 and 2019

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Established in 2016, the DC Policy Center is a non-partisan think tank committed to advancing policies for a strong and vibrant economy in the District of Columbia. The DC Policy Center informs policymaking by offering data and analyses on the District's economy and demography and 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 statements of activities as net assets released from restrictions.

Paid Research

DC Policy Center 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 DC Policy Center 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, 2020 and 2019

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income Tax Status

The DC Policy Center 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.

Date of Management’s Review

Management has evaluated subsequent events through April 20, 2021, the date which the financial statements were available to be issued.

NOTE 2—PROMISES TO GIVE

Unconditional promises to give are as follows:

	2020	2019
Receivable in less than one year	\$ 100,000	\$ 95,000
Receivable in one to five years	-	80,000
Total unconditional promises to give	100,000	175,000
Less discounts to present value	-	(1,951)
Unconditional promises to give	\$ 100,000	\$ 173,049

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

NOTE 3—RETIREMENT PLAN

The DC Policy Center 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%. For the years ended December 31, 2020 and 2019, retirement plan expense totaled \$30,126 and \$23,907, respectively.

DC POLICY CENTER
NOTES TO FINANCIAL STATEMENTS
December 31, 2020 and 2019

NOTE 4—LEASE

The DC Policy Center sub-leases office space in Washington, D.C. on a month-to-month basis. For the years ended December 31, 2020 and 2019, rent expense for this lease totaled \$84,000 and \$75,600, respectively.

NOTE 5—CONCENTRATIONS

Donor Concentration

For the years ended December 31, 2020 and 2019, approximately 70% of the DC Policy Center's support and revenue was provided by 6 and 7 donors, respectively.

Credit Risk

The DC Policy Center maintains its cash balances in three financial institutions located in Washington, D.C. The balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. At December 31, 2020 and 2019, uninsured cash balances total approximately \$777,000 and \$63,000, respectively.

NOTE 6—ECONOMIC IMPACT DISASTER LOAN

In May 2020 in response to the COVID-19 pandemic, the DC Policy Center applied for and received a \$500,000 Economic Impact Disaster Loan (EIDL) from the United States Small Business Administration. Monthly payments totaling \$2,136, including principal and interest at 2.75%, begin in May 2021. The loan matures in June 2051 and is secured by the assets of the DC Policy Center.

Future minimum payments on the loan for the years ending December 31 are as follows:

2021	\$	6,789
2022		11,894
2023		12,225
2024		12,565
2025		12,915
Thereafter		443,612

NOTE 7—RISKS AND UNCERTAINTIES

In March 2020, the United States economy began suffering adverse effects from the COVID-19 virus global crisis. In response to the crisis, the Coronavirus Aid, Relief and Economic Security (CARES) Act was signed into law on March 27, 2020. Management is continuously monitoring the situation to appropriately address the impact on the business.

DC POLICY CENTER
NOTES TO FINANCIAL STATEMENTS
December 31, 2020 and 2019

NOTE 8—LIQUIDITY AND AVAILABILITY

The following reflects the DC Policy Center’s financial assets as of the date of the statements of financial position, reduced by amounts not available for general expenditure within one year of the date of the statements of financial position because of donor-imposed restrictions.

	2020	2019
Financial assets at year-end	\$ 1,160,825	\$ 478,330
Less those unavailable for general expenditures within one year, due to:		
Restricted by donor with time or purpose restrictions	(50,000)	(138,049)
Financial assets available to meet cash needs for general expenditures within one year	\$ 1,110,825	\$ 340,281

The DC Policy Center 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 DC Policy Center’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.