WASHINGTON POLICY CENTER

FINANCIAL STATEMENTS
(see independent accountant's review report)

YEARS ENDED DECEMBER 31, 2017 AND 2016

Johnson & Shute P.S.
CERTIFIED PUBLIC ACCOUNTANTS • CONSULTANTS

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(see independent accountant's review report)

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CERTIFIED PUBLIC ACCOUNTANTS • CONSULTANTS

INDEPENDENT ACCOUNTANT'S REVIEW REPORT

August 17, 2018

Board of Directors
Washington Policy Center
Seattle, Washington 98134

We have reviewed the accompanying financial statements of Washington Policy Center (a nonprofit organization), which comprise the statement of financial position as of December 31, 2017 and 2016, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

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 the financial statements that are free from material misstatements whether due to fraud or error.

Accountant's Responsibility

Our responsibility is to conduct the review engagements in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountant's Conclusion

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

Johnson&Shute, P.S.

Certified Public Accountants
Bellevue, Washington

WASHINGTON POLICY CENTER

STATEMENT OF FINANCIAL POSITION

(see independent accountant's review report)

	December 31, 2017	December 31, 2016
ASSETS		
Cash and cash equivalents	$ 737,254	$ 508,491
Receivables		5,000
Unconditional promises to give (Note B)	1,079,366	1,188,493
Inventory	3,470	1,680
Prepaid expenses	69,922	22,729
Investments - long-term (Note C)	1,570,360	1,339,814
Property, office equipment and software, at cost	154,289	174,979
Less accumulated depreciation	(114,105)	(137,734)
	40,184	37,245
TOTAL ASSETS	$ 3,500,556	$ 3,103,452
LIABILITIES AND NET ASSETS		
Accounts payable and other liabilities	$ 115,058	$ 59,840
Deferred revenues	401,100	524,700
TOTAL LIABILITIES	516,158	584,540
NET ASSETS:		
Unrestricted:		
Undesignated	2,060,182	1,680,696
Board designated for program enhancement	657,705	657,705
Total unrestricted	2,717,887	2,338,401
Temporarily restricted	190,000	105,000
Permanently restricted	76,511	75,511
TOTAL NET ASSETS	2,984,398	2,518,912
TOTAL LIABILITIES AND NET ASSETS	$ 3,500,556	$ 3,103,452

WASHINGTON POLICY CENTER

STATEMENT OF ACTIVITIES

(see independent accountant's review report)

	Year Ended December 31, 2017				Year Ended December 31, 2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUE AND OTHER SUPPORT:								
Contributions	$ 2,070,025	$ 140,000	$ 1,000	$ 2,211,025	$ 1,670,173	$ 100,000	$ -	$ 1,770,173
Pillar Society contributions	1,072,650			1,072,650	1,080,195		100	1,080,295
In-kind contributions (Note H)	150,214			150,214	157,678			157,678
Program revenue	120,948			120,948	107,453			107,453
Interest and dividend income	45,490			45,490	39,717			39,717
Net assets released from restrictions (Note E)	55,000	(55,000)			100,252	(100,252)		
TOTAL REVENUE, OTHER SUPPORT AND TRANSFERS	3,514,327	85,000	1,000	3,600,327	3,155,468	(252)	100	3,155,316
EXPENSES:								
Salaries and contract services	1,419,959			1,419,959	1,276,097			1,276,097
Program expense	703,221			703,221	550,848			550,848
Annual dinner expense	534,943			534,943	559,801			559,801
Payroll taxes and employee benefits	251,787			251,787	211,175			211,175
Rent expense	120,196			120,196	115,456			115,456
Travel	62,496			62,496	47,038			47,038
Professional fees	38,929			38,929	42,904			42,904
Office expense	32,347			32,347	22,308			22,308
Printing, mailing, and postage	31,037			31,037	30,411			30,411
Bank charges	20,453			20,453	18,642			18,642
Insurance expense	17,124			17,124	11,414			11,414
Bad debt expense	15,950			15,950				
Depreciation	13,668			13,668	12,715			12,715
Telephone expense	10,499			10,499	9,305			9,305
Internet expense	3,221			3,221	3,317			3,317
Miscellaneous expense	18,728			18,728	16,685			16,685
TOTAL EXPENSES	3,294,558			3,294,558	2,928,116			2,928,116
Net realized and unrealized gains on marketable equity securities (Note C)	159,717			159,717	80,388			80,388
INCREASE (DECREASE) IN NET ASSETS	379,486	85,000	1,000	465,486	307,740	(252)	100	307,588
NET ASSETS, BEGINNING OF YEAR	2,338,401	105,000	75,511	2,518,912	2,030,661	105,252	75,411	2,211,324
NET ASSETS, END OF YEAR	$ 2,717,887	$ 190,000	$ 76,511	$ 2,984,398	$ 2,338,401	$ 105,000	$ 75,511	$ 2,518,912

See notes to financial statements.

WASHINGTON POLICY CENTER

STATEMENT OF CASH FLOWS

(see independent accountant's review report)

	Year Ended December 31, 2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase in net assets	$ 465,486	$ 307,588
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	13,668	12,715
Provision for bad debts	15,950	
Loss on disposition of assets	1,927	
Realized and unrealized gain on investments	(159,717)	(80,388)
Changes in assets and liabilities providing (using) cash:		
Receivables	5,000	(1,246)
Unconditional promises to give	109,127	5,271
Inventory	(1,790)	376
Prepaid expenses	(47,192)	(15,007)
Accounts payable and other liabilities	55,218	8,508
Deferred revenues	(123,600)	(52,300)
Net cash provided by operating activities	334,077	185,517
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investments	(327,118)	(52,710)
Proceeds from sale of investments	249,559	12,000
Property and equipment additions	(18,535)	(13,416)
Net cash used in investing activities	(96,094)	(54,126)
NET INCREASE IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	237,983	131,391
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH AT BEGINNING OF YEAR	515,424	384,033
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH AT END OF YEAR	$ 753,407	$ 515,424

See notes to financial statements.

WASHINGTON POLICY CENTER

NOTES TO FINANCIAL STATEMENTS
(see independent accountant's review report)

YEARS ENDED DECEMBER 31, 2017 AND 2016

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Nature of organization -

Washington Policy Center (the Center) is an independent, Washington State 501(c)(3) non-profit organization that promotes free-market solutions to state and local issues through research and education. The Center serves citizens, policymakers, and the media in Washington through media outreach, publications, a young professionals group, conferences and forums on both national and local issues. In 2016, WPC's board and staff developed a new, three-year strategic plan, which started in January 2017. The plan has four main objectives: investing for increased capacity and impact, extending the Center's reach/service to the state, building alliances, and improving communication effectiveness.

During the year ended December 31, 2005, the Center began a fundraising initiative to collect $4,260,000 which was used to establish Research Centers focused on the following areas: Education Reform, Environmental Policy, Health Care Policy, Government Reform, Small Business and Entrepreneurship, and Transportation Policy. Also, the Center developed and still maintains a free legislative website, WashingtonVotes.org, for citizens to track legislative activity. The campaign was completed in 2011; raising $4.22 million and bringing in $4.13 million. Overall the campaign had over 100 donors, with 19 donors giving $50,000 or more. The Center experienced a very low 2.3% pledge write-off rate over the term of the capital campaign, especially impressive given the economic downturn occurring during the duration of the campaign. In addition, the plan in 2005 was that the campaign funds would be exhausted in about five years; however, the Center carefully used these funds without compromising its research plan and reinvested the funds to further the organization's mission. Further, WPC created a 15% board designated reserve to be used only in cases of emergency as voted by the board. Thankfully, the organization has not needed these funds and the money remains in reserve as of the presentation of this report.

The capital campaign allowed the Center to open seven Research Centers, each with its own full-time director. The Center now has a staff of 24 and a $3.5 million annual budget, making it one of the largest state-based think tanks in the country. In addition, the Center has maintained an Olympia office since 2007, which is located just blocks from the State Capitol. In 2009, the Center opened an office in Eastern Washington with a full-time director based in Spokane. The organization also opened a Tri-Cities office in 2013. The office houses one of its research centers and in 2016 added its latest project, WPC's Initiative on Agriculture Policy.

In 2012, Washington Policy Center launched its Pillar Society/Major Gifts Initiative, which is the natural continuation of the Center's capital campaign. As noted above, the prior campaign is complete and the last of these pledges expired in 2012. In order to continue to increase revenue year-over-year to support its expanded activity and impact, the Center needs the increased, stable income that comes from these pledges. This donor program asks Washington Policy Center supporters for a three-year pledge of support at different high-dollar giving levels. This provides our most loyal donors a fair and transparent plan of what benefits they can expect to receive from Washington Policy Center each year and provides convenience, recognition, and relief to donors from multiple requests. At the end of 2017, the Pillar Society/Major Gifts Initiative had raised over $5.5 million from over 100 donors, each pledging a minimum of $5,000 per year for three years.

Over 95% of the Center's support and revenue come from sources in Washington State.

Contributions -

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met.

(see independent accountant's review report)

NOTE A - CONTINUED:

Contributions received and unconditional promises to give are measured at their fair values and are reported as an increase in net assets. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods, unless the donor explicitly stipulates the contribution is to support current activities, or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. However, if a restriction is fulfilled in the same period in which the contribution is received, the organization reports the support as unrestricted.

In-kind contributions are reflected as contributions at their fair value at date of donation and are reported as unrestricted support unless explicit donor stipulations specify how donated assets must be used. These amounts have been reported as both in-kind contribution revenue and related expense categories on the statements of activities. The Center recognizes the fair value of contributed services received if such services a) create or enhance nonfinancial assets or b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not contributed.

Cash and cash equivalents -

Cash and cash equivalents include all cash and short-term debt instruments, including certificates of deposit, purchased with an original maturity of three months or less, unless designated for a long-term purpose or received with a long-term donor restriction. The Center maintains cash balances at one bank. Accounts at the institution are insured up to the applicable limits by the Federal Deposit Insurance Corporation.

Inventory -

Inventory, which consists of various books and policy guides, is stated at the lower of cost and net realizable value. Cost is determined by the first-in, first-out (FIFO) method, and net realizable value is determined by estimated selling price.

Property and equipment -

Property and equipment are recorded at cost on the date of acquisition, or at fair market value as of the donation date of gifts. Depreciation of property and equipment is provided on the basis of the estimated useful lives of the individual assets, primarily three to ten years, on the straight-line method. It is the Center's policy to capitalize property and equipment over $500. Lesser amounts are expensed.

Estimates -

Management uses estimates and assumptions in preparing financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that are used.

Date of management review -

Management has evaluated subsequent events through August 17, 2018, which is the date the financial statements were available to be issued.

(see independent accountant's review report)

NOTE B - UNCONDITIONAL PROMISES TO GIVE:

Unconditional promises to give are as follows:

	December 31,	
	2017	**2016**
Receivable in less than one year	$ 741,334	$ 822,667
Receivable in one to five years	352,750	381,333
Total unconditional promises to give	1,094,084	1,204,000
Less discounts to net present value	(14,718)	(15,507)
Net unconditional promises to give	$ 1,079,366	$ 1,188,493

NOTE C - INVESTMENTS:

Investments are comprised of unrestricted and permanently restricted funds and include cash and cash equivalents held temporarily until suitable long-term investment opportunities are identified and marketable securities with readily determinable fair values. Management intends to utilize these investments primarily for long-term purposes. Short-term investments represent management's budgeted near-term cash needs. If necessary, management may liquidate a portion of the investment portfolio in order to cover estimated operating shortfalls.

Marketable debt and equity securities are reported at their fair values in the statement of financial position. Investments held by the Center had the following aggregate fair market value and aggregate cost:

	December 31,			
	2017		**2016**	
	Fair Value	**Cost**	**Fair Value**	**Cost**
Mutual funds	$ 1,554,207	$ 1,135,519	$ 1,332,881	$ 1,032,938
Cash and cash equivalents	16,153	16,153	6,933	6,933
Total investments	$ 1,570,360	$ 1,151,672	$ 1,339,814	$ 1,039,871

The Center maintains accounts with two investment firms. The accounts contain cash and securities. Balances are insured up to the applicable limits by the Securities Investor Protection Corporation.

The marketable securities portfolio held by the Center at December 31, 2017 and 2016 consists of publicly traded mutual funds. According to management, due to diversification of these investments, there is no significant concentration of market risk or risk of physical loss.

Fair Value Measurements - Fair values for investments are determined by reference to quoted market prices and other relevant information generated by market transactions for identical assets (referred to as Level 1 inputs). Fair values of the marketable securities have been measured utilizing Level 1 inputs on a recurring basis at December 31, 2017 and 2016, respectively.

(see independent accountant's review report)

NOTE D - LINE-OF-CREDIT:

The Center has a $200,000, unsecured, revolving line-of-credit with Wells Fargo Bank. Amounts borrowed under this agreement bear interest at the greater of the bank's prime rate plus 1.75%, for the Floor Rate of 5%. At December 31, 2017, there was no outstanding balance on the line-of-credit.

NOTE E - TEMPORARILY RESTRICTED NET ASSETS:

Temporarily restricted net assets in the amount of $190,000 and $105,000 for the years ended December 31, 2017 and 2016, respectively, represent donor-imposed stipulations for the development and enhancement of various Research Centers and scholarships. Net assets totaling $55,000 and $100,252 were released from restriction in 2017 and 2016, respectively, and became available for use in general operations.

NOTE F - ENDOWMENTS:

Endowments in Washington State are governed by the "Uniform Prudent Management of Institutional Funds Act" as stated in the Revised Code of Washington (RCW) 24.44. The Center's Board of Directors has interpreted this regulation as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary.

The Center's spending policy is to appropriate investment earnings on endowment assets to be expended as received. The Center's endowment income distribution policies are designed to generate a predictable stream of spendable income. Endowment investments are managed to achieve the maximum long-term total return. As a result of this emphasis on total return, the proportion of the annual income distribution provided by dividend and interest income and by capital gains may vary significantly from year to year. The Center's donor-designated endowments totaled $76,511 and $75,511 at December 31, 2017 and 2016, respectively.

NOTE G - CONDITIONAL PROMISES TO GIVE:

The Center has a Legacy Partners program which recognizes those who have made or indicated they have included the Center in their estate plans. Legacy Partners enjoy all the benefits of WPC's highest level of membership and the satisfaction of knowing their legacy will live on through the Center's important work. As of December 31, 2017, the Center knew of 13 Legacy Partner members totaling an undisclosed future contribution amount which represent conditional promises to give.

During the year ended December 31, 2005, the Center received a conditional promise to give for the Center for Environmental Policy for $25,000 from an emeritus board member.

This $25,000 contribution and the undisclosed future contributions from the Legacy Partners represent bequests, and do not meet the criteria for recognition under generally accepted principles and, therefore, will not be recognized as an asset or contribution until such time as the conditions are perfected.

NOTE H - IN-KIND CONTRIBUTIONS:

In-kind contributions consisted of the following:

	Year Ended December 31,	
	2017	**2016**
Advertising	$ 53,828	$ 58,418
Professional services	13,142	14,504
Rent (Note K)	12,653	7,200
Other	70,591	77,556
	$ 150,214	$ 157,678

(see independent accountant's review report)

NOTE I - FEDERAL INCOME TAXES:

The Center qualifies as a nonprofit organization and, accordingly, is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Therefore, no provision has been made for Federal income taxes. The Center has also been classified as an entity that is not a private foundation within the meaning of Section 509(a) of the Internal Revenue Code.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Center and recognize a tax liability if the Center has taken an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service. Management has analyzed tax positions taken by the Center, and has concluded that as of December 31, 2017, there are no uncertain tax positions taken or expected to be taken that would require recognition of a liability or disclosure in the financial statements. The Center files a federal Return of Organization Exempt from Income Tax (Form 990).

NOTE J - RELATED PARTY TRANSACTIONS:

During the years ended December 31, 2017 and 2016, the Center recorded related party transactions with various members of its Board of Directors.

The accompanying statements include the following amounts pertaining to related party transactions not disclosed elsewhere:

	Year Ended December 31,	
	2017	**2016**
Pillar Society contributions	$ 344,166	$ 454,166
Contributions	357,451	278,303
Contributed rent	11,453	6,000
	$ 713,070	$ 738,469

NOTE K - LEASE AGREEMENTS:

The Center leases office space in Seattle from Gull Industries, Inc. (a related party), under the terms of a three year lease which expires on December 31, 2019.

The Center leases office space in Olympia under a month-to-month agreement from the National Federation of Independent Business. The lease calls for current monthly rents totaling $250.

The Center leases office space in Spokane under a month-to-month agreement. For the years ended December 31, 2017 and 2016, the landlord agreed to contribute office rent to the Center which had a fair market value of $2,539 in 2017 and $2,500 in 2016 (Note H). The landlord has made conditional contributions of $100 per month of the office rent to the Center.

The Center negotiated the lease of office space in Tri-Cities with Tippett Company (a related party), on August 19, 2016. For the year ended December 31, 2017, Tippett agreed to contribute office rent to the Center which had a fair market value of $7,450 (Note H). The landlord has made conditional contributions of $500 per month of the office rent to the Center.

On September 22, 2017, the Center terminated its lease with Tippett Company and negotiated a sublease in Tri-Cities with related-party donors, Bill and Meredith Farris. For the year ended December 31, 2017, Farris agreed to contribute office rent to the Center which had a fair value of $6,954. The landlord has made conditional contributions of $2,318 per month to the Center. The value of the in-kind rent changed when the September 2017 lease agreement was renegotiated between the Center, Farris, and the original landlord, Red Head Investments Company, LLC in May of 2018.

The Center leases various pieces of office equipment under operating lease agreements which expire from March 2019 to December 2019.

(see independent accountant's review report)

NOTE K - CONTINUED:

Remaining minimum payments under noncancelable operating leases having remaining terms in excess of one year as of December 31, 2017 are as follows:

Year Ended December 31,	
2018	$ 111,817
2019	111,411
2020	358
	$ 223,586

NOTE L - FUNCTIONAL EXPENSES:

The following is a summary of the Center's functional expenses determined by management on a percentage basis. The direct fundraising expenses listed below represent expenses related to the organization's Annual Dinners in Western and Eastern Washington. The organization uses the revenue raised by its Annual Dinners to invest in programs to further its mission. See Note M for detail of Annual Dinner revenue raised.

	Year Ended December 31,			
		2017		2016
Program expenses		$ 2,058,385		$ 1,746,378
General and administrative		130,170		103,050
Fundraising				
Indirect	571,060		518,887	
Direct	534,943		559,801	
		1,106,003		1,078,688
		$ 3,294,558		$ 2,928,116

NOTE M - SPECIAL EVENTS - FUNDRAISING:

The Center holds an annual fundraising dinner. The following is a summary of the support and direct expenses for this event:

	Year Ended December 31,	
	2017	2016
Contributions	$ 1,196,810	$ 1,176,499
Direct fundraising expense	(534,943)	(559,801)
	$ 661,867	$ 616,698

(see independent accountant's review report)

NOTE N - PROFIT SHARING PLAN:

Effective January 1, 2015, the Center, having received approval from the Board of Directors, maintains a profit-sharing, 401(k) savings (defined contribution) plan providing benefits for substantially all employees. Participating employees may elect to reduce their compensation by a specific percentage or dollar amount and have the amount contributed to the plan as a salary deferral. Management determines annually the amounts, if any, they will match or contribute to the plan. Employer contributions totaled $15,853 for the year ended December 31, 2017 and $16,584 for the year ended December 31, 2016. By the nature of the plan, there are no past service costs or unfunded vested benefits.