

WASHINGTON POLICY CENTER
FINANCIAL STATEMENTS
(see independent accountant's review report)
YEARS ENDED DECEMBER 31, 2019 AND 2018

CONTENTS

(See independent accountant's review report)

	<u>PAGE</u>
FINANCIAL STATEMENTS:	
Independent accountant's review report	1
Statement of financial position	2
Statement of activities	3
Statement of cash flows	4
Notes to financial statements	5

INDEPENDENT ACCOUNTANT'S REVIEW REPORT

October 30, 2020

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, 2019 and 2018, 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

STATEMENT OF FINANCIAL POSITION

(see independent accountant's review report)

	<u>December 31,</u>	
	<u>2019</u>	<u>2018</u>
<u>ASSETS</u>		
Cash and cash equivalents	\$ 745,285	\$ 499,372
Unconditional promises to give (Note B)	1,840,399	1,700,146
Prepaid expenses and other assets	122,453	56,534
Investments - long-term (Note C)	1,782,377	1,582,375
Property, office equipment and software, at cost	161,943	158,659
Less accumulated depreciation	<u>(131,914)</u>	<u>(122,015)</u>
	<u>30,029</u>	<u>36,644</u>
TOTAL ASSETS	<u>\$ 4,520,543</u>	<u>\$ 3,875,071</u>
<u>LIABILITIES AND NET ASSETS</u>		
Accounts payable and other liabilities	\$ 139,583	\$ 65,987
Advance payments received	<u>3,200</u>	<u>51,000</u>
TOTAL LIABILITIES	142,783	116,987
NET ASSETS (NOTES E & F):		
Without donor restrictions:		
Undesignated	1,814,645	1,336,722
Board designated for program enhancement	<u>657,705</u>	<u>657,705</u>
Total without donor restrictions	2,472,350	1,994,427
With donor restrictions	<u>1,905,410</u>	<u>1,763,657</u>
TOTAL NET ASSETS	<u>4,377,760</u>	<u>3,758,084</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 4,520,543</u>	<u>\$ 3,875,071</u>

WASHINGTON POLICY CENTER

STATEMENT OF ACTIVITIES

(see independent accountant's review report)

	Year Ended December 31, 2019			Year Ended December 31, 2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND OTHER SUPPORT:						
Contributions	\$ 2,407,941	\$ 153,500	\$ 2,561,441	\$ 1,908,204		\$ 1,908,204
Pillar Society contributions	684,939	939,485	1,624,424	1,112,034	1,330,149	2,442,183
In-kind contributions (Note H)	130,611		130,611	150,916		150,916
Program revenue	168,723		168,723	161,847		161,847
Net assets released from restrictions (Note E)	951,232	(951,232)		352,769	(352,769)	
TOTAL REVENUE, OTHER SUPPORT AND TRANSFERS	4,343,446	141,753	4,485,199	3,685,770	977,380	4,663,150
EXPENSES:						
Program services	2,512,828		2,512,828	2,325,332		2,325,332
Management and general	279,610		279,610	262,512		262,512
Fundraising	1,369,072		1,369,072	1,158,169		1,158,169
TOTAL EXPENSES	4,161,510		4,161,510	3,746,013		3,746,013
Investment income, net (Note C)	295,987		295,987	(143,451)		(143,451)
INCREASE (DECREASE) IN NET ASSETS	477,923	141,753	619,676	(203,694)	977,380	773,686
NET ASSETS, BEGINNING OF YEAR	1,994,427	1,763,657	3,758,084	2,198,121	786,277	2,984,398
NET ASSETS, END OF YEAR	\$ 2,472,350	\$ 1,905,410	\$ 4,377,760	\$ 1,994,427	\$ 1,763,657	\$ 3,758,084

STATEMENT OF CASH FLOWS

(see independent accountant's review report)

	Year Ended December 31,	
	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase in net assets	\$ 619,676	\$ 773,686
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	14,013	12,310
Provision for bad debts		3,761
Loss on disposition of assets	439	262
Realized and unrealized (gain)/loss on investments	(248,262)	195,934
Changes in assets and liabilities providing (using) cash:		
Unconditional promises to give	(140,253)	(620,780)
Prepaid expenses and other assets	(65,919)	16,858
Accounts payable and other liabilities	73,596	(49,071)
Advance payments received	(47,800)	(350,100)
Net cash provided by (used in) operating activities	205,490	(17,140)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investments	(1,038,680)	(48,508)
Proceeds from sale of investments	971,145	
Property and equipment additions	(7,837)	(9,033)
Net cash used in investing activities	(75,372)	(57,541)
NET INCREASE (DECREASE) IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	130,118	(74,681)
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH AT BEGINNING OF YEAR	678,726	753,407
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH AT END OF YEAR	\$ 808,844	\$ 678,726

See notes to financial statements.

WASHINGTON POLICY CENTER

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

YEARS ENDED DECEMBER 31, 2019 AND 2018

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 2019, WPC's board and staff developed a new, three-year strategic plan, which started in January 2020. 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.

Starting in 2005 and finishing 2011, the Center raised over \$4.1 million to establish its 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. After the conclusion of the initial campaign to start the research centers, the organization launched its Agriculture Initiative in 2016 and followed that by opening Center for Worker Rights in 2018. Each of these research centers has its own full-time director to focus on their policy area. Also, through the capital campaign 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 Center now has a staff of 24 and a \$4.1 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 and 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, which now houses its Center for Government Reform and Initiative on Agriculture Policy. As part of the Center's new strategic plan, the Center launched its Free-Markets Create campaign in Spring 2020 which celebrates the power of free-markets to tackle humanity's most daunting challenges like hunger, disease, climate change and more. The campaign includes a robust marketing plan to reach and educate a younger audience.

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 its 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 2019, the Pillar Society/Major Gifts Initiative had raised over \$9.05 million from over 185 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.

Adoption of New Accounting Pronouncement –

During the year ended December 31, 2019, the Center adopted the Financial Accounting Standards Board's Accounting Standards Update (ASU) No. 2018-08 – Not-for-Profit Entities (Topic 958): *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. This update was issued to clarify and improve the scope and accounting guidance for contributions received and contributions made. The update assists entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions and (2) determining whether a contribution is conditional. The ASU has been applied retrospectively to all periods presented (Note E).

(see independent accountant's review report)

NOTE A - CONTINUED:

Contributions -

Contributions received are recorded as with or without 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.

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 available for use without restriction 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 support with restrictions that increases net asset with restrictions. However, if a restriction is fulfilled in the same period in which the contribution is received, the organization reports the support as without restriction.

In-kind contributions are reflected as contributions at their fair value at date of donation and are reported as without restriction 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.

The following cash, cash equivalents, and restricted cash reported within the statement of financial position sum to the corresponding amounts within the statement of cash flows:

	<u>December 31,</u>	
	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 745,285	\$ 499,372
Investment cash and cash equivalents	63,559	179,354
	<u>\$ 808,844</u>	<u>\$ 678,726</u>

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.

Advertising -

The Center uses advertising to promote its programs among the audiences it serves and its fundraising events. Advertising costs are expensed as incurred. Advertising expense for the years ended December 31, 2019 and 2018 totaled \$399,411 and \$314,026, respectively.

(see independent accountant's review report)

NOTE A - CONTINUED:**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 October 30, 2020, which is the date the financial statements were available to be issued.

NOTE B - UNCONDITIONAL PROMISES TO GIVE:

Unconditional promises to give are as follows:

	<u>December 31,</u>	
	<u>2019</u>	<u>2018</u>
Receivable in less than one year	\$ 1,218,284	\$ 1,049,273
Receivable in one to five years	666,625	694,808
Total unconditional promises to give	1,884,909	1,744,081
Less discounts to net present value	(44,510)	(43,935)
Net unconditional promises to give	<u>\$ 1,840,399</u>	<u>\$ 1,700,146</u>

NOTE C - INVESTMENTS:

Investments are comprised of funds with and without donor restrictions 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:

	<u>December 31,</u>			
	<u>2019</u>		<u>2018</u>	
	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>
Mutual funds	\$ 1,718,818	\$ 1,614,444	\$ 1,403,021	\$ 1,165,754
Cash and cash equivalents	63,559	63,559	179,354	179,354
Total investments	<u>\$ 1,782,377</u>	<u>\$ 1,678,003</u>	<u>\$ 1,582,375</u>	<u>\$ 1,345,108</u>

(see independent accountant's review report)

NOTE C - CONTINUED:

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, 2019 and 2018 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, 2019 and 2018, respectively.

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%, or the Floor Rate of 5%. At December 31, 2019, there was no outstanding balance on the line-of-credit.

NOTE E - NET ASSETS WITH DONOR RESTRICTIONS:

Net assets were restricted by donors for the following purposes:

	<u>December 31,</u>	
	<u>2019</u>	<u>2018</u>
Subject to the Passage of Time or Expenditure for Specific Purpose		
Restricted for specific programs and/or timing	\$ 150,000	\$ 70,000
Pillar Society passage of time (timing restriction)	1,675,399	1,617,146
Total Subject to the Passage of Time or Expenditure for Specific Purpose	1,825,399	1,687,146
Donor-Restricted Endowment Funds		
Original gifts – General endowment	80,011	76,511
Total Net Assets with Donor Restrictions	<u>\$ 1,905,410</u>	<u>\$ 1,763,657</u>

In the accompanying financial statements, net assets with donor restrictions at the beginning of 2018 were increased by \$519,766 to correct for timing restrictions and net assets without donor restrictions were correspondingly decreased. Total revenue during the year ended December 31, 2018 was increased by \$712,930 for the retrospective application of ASU No. 2018-08 and also net assets with donor restrictions were increased to correct for timing restrictions totaling \$384,450, with a corresponding decrease to net assets without donor restrictions. Net assets with donor restrictions at December 31, 2018 prior to application of ASU No. 2018-08 and the correction totaled \$146,511. Net assets without donor restrictions at December 31, 2018 prior to application of ASU No. 2018-08 and the correction totaled \$2,898,643.

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.

(see independent accountant's review report)

NOTE F - CONTINUED:

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 \$ 80,011 and \$ 76,511 at December 31, 2019 and 2018, 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, 2019, the Center knew of 20 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:

	<u>Year Ended December 31,</u>	
	<u>2019</u>	<u>2018</u>
Advertising	\$ 49,408	\$ 45,022
Professional services	17,132	13,059
Rent (Note K)	18,540	24,623
Other	45,531	68,212
	<u>\$ 130,611</u>	<u>\$ 150,916</u>

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, 2019, 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).

(see independent accountant's review report)

NOTE J - RELATED PARTY TRANSACTIONS:

During the years ended December 31, 2019 and 2018, the Center recorded related party transactions with various members of its Board of Directors.

The accompanying statements include the following amounts of cash and in-kind items received pertaining to related party transactions not disclosed elsewhere:

	<u>Year Ended December 31,</u>	
	<u>2019</u>	<u>2018</u>
Pillar Society contributions	\$ 461,283	\$ 363,766
Contributions	378,543	315,334
	<u>\$ 839,826</u>	<u>\$ 679,100</u>

NOTE K - LEASE AGREEMENTS:

The Center leases office space in Seattle, Olympia, Spokane and the Tri-Cities. The leases range from multi-year to month-to-month, with leases expiring from December 2019 to August 2021. The monthly rent ranges from a donated space in the Tri-Cities to \$9,387 per month in Seattle.

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

Remaining minimum payments under noncancelable operating leases having remaining terms in excess of one year as of December 31, 2019 are as follows:

<u>Year Ended December 31,</u>	
2020	\$ 26,166
2021	21,120
2022	<u>11,744</u>
	<u>\$ 59,030</u>

NOTE L - FUNCTIONAL EXPENSES:

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Certain categories of expenses are attributable to more than one program or supporting function and are allocated on reasonable basis that is consistently applied. Compensation, taxes, and benefits are allocated on the basis of estimates of time and effort, other expenses are allocated on a combination of percent of personnel use and purpose to the organization, or purpose to the organization.

(see independent accountant's review report)

NOTE L - CONTINUED:

	Year Ended December 31, 2019			
	Program	Management and General	Fundraising	Total
Salaries	\$1,246,048	\$ 194,560	\$ 266,822	\$1,707,430
Payroll taxes and benefits	236,831	29,386	36,847	303,064
Total Salaries and related expenses	1,482,879	223,946	303,669	2,010,494
Room rental and food	92,905		378,527	471,432
Advertising and promotion	362,642		36,769	399,411
Contract services	106,922		270,152	377,074
Printing and postage	109,907	825	106,909	217,641
Travel	83,684		118,310	201,994
Rent	111,699	13,962	13,962	139,623
Miscellaneous	39,536	2,949	87,514	129,999
Professional fees	35,201	23,467		58,668
Office expense	32,222	3,048	3,048	38,318
Bank charges	6,909	4,146	16,582	27,637
Grants	20,000			20,000
Bad debt expense			19,500	19,500
Utilities	13,906	642	4,079	18,627
Insurance	5,693	5,693	5,693	17,079
Depreciation	8,723	932	4,358	14,013
Total expenses	<u>\$2,512,828</u>	<u>\$ 279,610</u>	<u>\$1,369,072</u>	<u>\$4,161,510</u>
	Year Ended December 31, 2018			
	Program	Management and General	Fundraising	Total
Salaries	\$1,167,740	\$ 167,993	\$ 238,301	\$1,574,034
Payroll taxes and benefits	219,586	31,141	37,630	288,357
Total Salaries and related expenses	1,387,326	199,134	275,931	1,862,391
Room rental and food	139,872		357,745	497,617
Contract services	129,484		201,259	330,743
Advertising and promotion	268,560		45,466	314,026
Printing and postage	104,298	1,375	100,070	205,743
Rent	108,493	13,562	13,561	135,616
Travel	84,149		35,187	119,336
Miscellaneous	16,790	1,723	91,849	110,362
Office expense	36,032	3,380	3,379	42,791
Professional fees	3,633	32,315		35,948
Bank charges	7,244	4,347	17,387	28,978
Insurance	5,297	5,296	5,296	15,889
Utilities	11,491	562	3,449	15,502
Grants	15,000			15,000
Depreciation	7,663	818	3,829	12,310
Bad debt expense			3,761	3,761
Total expenses	<u>\$2,325,332</u>	<u>\$ 262,512</u>	<u>\$1,158,169</u>	<u>\$3,746,013</u>

(see independent accountant's review report)

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:

	<u>Year Ended December 31,</u>	
	<u>2019</u>	<u>2018</u>
Contributions	\$ 1,701,830	\$ 1,410,000
Direct fundraising expense	(723,848)	(573,648)
	<u>\$ 977,982</u>	<u>\$ 836,352</u>

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 \$30,225 for the year ended December 31, 2019 and \$23,164 for the year ended December 31, 2018. By the nature of the plan, there are no past service costs or unfunded vested benefits.

NOTE O – LIQUIDITY AND AVAILABILITY:

Washington Policy Center receives contributions from a number of sources, including non-government grants, fundraising activities and donations from individuals and businesses. Most of these revenue sources are without donor restriction and available for immediate use by the Center.

Washington Policy Center regularly monitors its current and future needs for operations to ensure it has sufficient funds on hand to cover its operating expenses. WPC's cash is held in an interest-bearing savings account. As described in Note D, the Center has a committed line-of-credit in the amount of \$200,000, which it could draw upon in the event of an unanticipated liquidity need. WPC intends to invest cash in excess of anticipated needs for one year in short-term investments to increase investment yields. Liquidity and availability of financial assets consisted of the following:

	<u>December 31,</u>	
	<u>2019</u>	<u>2018</u>
Cash	\$ 745,285	\$ 499,372
Investments	1,782,377	1,582,375
Receivables	1,884,909	1,744,081
Total financial assets	<u>4,412,571</u>	<u>3,825,828</u>
Receivables scheduled to be collected in more than one year	(666,625)	(694,808)
Board Designations	(657,705)	(657,705)
Contractual or donor-imposed restrictions:		
Donor contributions restricted to specific purposes	(150,000)	(70,000)
Endowment funds	(80,011)	(76,511)
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 2,858,230</u>	<u>\$ 2,326,804</u>

(see independent accountant's review report)

NOTE P – SUBSEQUENT EVENTS:

Management has evaluated the accompanying December 31, 2019 financial statements through the date they were available for issue. As a result of the spread of the COVID-19 coronavirus and governmental responses thereto (including "Stay Home – Stay Healthy" and "Safe Start – Washington's Phased Reopening" orders issued by the Governor of the State of Washington), economic uncertainties have arisen which may potentially negatively impact the Center in the future. Any financial impact of this situation is unknown and not estimable at this time. Management is addressing these issues and implementing measures designed to respond to and navigate through this situation as a going concern.