

WASHINGTON POLICY CENTER

Reviewed Financial Statements
December 31, 2020 and 2019

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INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To the Board of Directors
Washington Policy Center
Seattle, Washington

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, 2020, and the related statements of activities, functional expenses, and cash flows for the year 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 company 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 financial statements that are free from material misstatement, whether due to fraud or error.

Accountant's Responsibility

Our responsibility is to conduct the review engagement 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 review, 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.

Report on 2019 Financial Statements

The financial statements of Washington Policy Center as of December 31, 2019, were reviewed by other accountants whose report dated October 30, 2020, stated that based on their procedures, they are not aware of any material modifications that should be made to those financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

Greenwood Ohlund

Seattle, Washington
June 3, 2021

WASHINGTON POLICY CENTER

STATEMENTS OF FINANCIAL POSITION December 31, 2020 and 2019

ASSETS	2020	2019
Current Assets		
Cash and cash equivalents	\$ 1,130,093	\$ 745,285
Contributions receivable	1,115,338	1,218,284
Prepaid expenses and other assets	91,428	122,453
Total current assets	2,336,859	2,086,022
Investments	1,980,742	1,782,377
Contributions Receivable, net of current portion	502,000	622,115
Property and Equipment, net	29,915	30,029
Total assets	<u>\$ 4,849,516</u>	<u>\$ 4,520,543</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable and other liabilities	\$ 121,362	\$ 142,783
Net Assets		
Without donor restrictions	3,027,005	2,472,350
With donor restrictions	1,701,149	1,905,410
Total net assets	<u>4,728,154</u>	<u>4,377,760</u>
Total liabilities and net assets	<u>\$ 4,849,516</u>	<u>\$ 4,520,543</u>

See independent accountant's review report and accompanying notes to financial statements.

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STATEMENTS OF ACTIVITIES For the Years Ended December 31, 2020 and 2019

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Public Support and Revenue						
Contributions	\$ 2,214,688	\$ 515,800	\$ 2,730,488	\$ 2,366,410	\$ 153,500	\$ 2,519,910
Special events revenue	902,794	339,000	1,241,794	762,345	939,485	1,701,830
Special events - direct benefit to donors	(273,411)	-	(273,411)	(723,848)	-	(723,848)
In-kind contributions	87,003	-	87,003	130,611	-	130,611
Program service revenue	71,043	-	71,043	132,848	-	132,848
Net assets released from restrictions	1,067,966	(1,067,966)	-	965,544	(965,544)	-
Total public support and revenue	4,070,083	(213,166)	3,856,917	3,633,910	127,441	3,761,351
Expenses						
Program services	2,763,060	-	2,763,060	2,512,828	-	2,512,828
Management and general	361,508	-	361,508	279,610	-	279,610
Fundraising	580,365	-	580,365	645,224	-	645,224
Total expenses	3,704,933	-	3,704,933	3,437,662	-	3,437,662
Change in net assets before investment earnings (losses)	365,150	(213,166)	151,984	196,248	127,441	323,689
Investment Returns	189,505	8,905	198,410	281,675	14,312	295,987
Change in net assets	554,655	(204,261)	350,394	477,923	141,753	619,676
Net Assets, beginning of year	2,472,350	1,905,410	4,377,760	1,994,427	1,763,657	3,758,084
Net Assets, end of year	\$ 3,027,005	\$ 1,701,149	\$ 4,728,154	\$ 2,472,350	\$ 1,905,410	\$ 4,377,760

See independent accountant's review report and accompanying notes to financial statements.

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

	2020				2019			
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
Salaries, benefits, and taxes	\$ 1,614,962	\$ 240,921	\$ 393,712	\$ 2,249,595	\$ 1,482,879	\$ 223,946	\$ 303,669	\$ 2,010,494
Advertising and promotion	716,359	-	-	716,359	362,642	-	36,769	399,411
Room rental and food	17,448	-	273,411	290,859	92,905	-	378,527	471,432
Printing and postage	79,597	1,123	104,824	185,544	109,907	825	106,909	217,641
Occupancy	108,939	13,617	13,617	136,173	125,605	14,604	18,041	158,250
Miscellaneous	54,407	39,212	32,481	126,100	46,445	7,095	104,096	157,636
Professional fees	12,537	55,082	16,499	84,118	35,201	23,467	-	58,668
Office expense	51,477	4,609	8,342	64,428	32,222	3,048	3,048	38,318
Contract services	52,251	-	-	52,251	106,922	-	270,152	377,074
Travel	19,595	-	2,995	22,590	83,684	-	118,310	201,994
Grants	20,000	-	-	20,000	20,000	-	-	20,000
Insurance	5,447	5,446	5,447	16,340	5,693	5,693	5,693	17,079
Depreciation and amortization	10,041	1,498	2,448	13,987	8,723	932	4,358	14,013
Bad debt expense	-	-	-	-	-	-	19,500	19,500
Total expenses	2,763,060	361,508	853,776	3,978,344	2,512,828	279,610	1,369,072	4,161,510
Less: direct benefit to donors	-	-	(273,411)	(273,411)	-	-	(723,848)	(723,848)
	<u>\$ 2,763,060</u>	<u>\$ 361,508</u>	<u>\$ 580,365</u>	<u>\$ 3,704,933</u>	<u>\$ 2,512,828</u>	<u>\$ 279,610</u>	<u>\$ 645,224</u>	<u>\$ 3,437,662</u>

See independent accountant's review report and accompanying notes to financial statements.

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STATEMENTS OF CASH FLOWS For the Years Ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash Flows from Operating Activities		
Change in net assets	\$ 350,394	\$ 619,676
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Endowment contributions	(3,800)	(3,500)
Depreciation and amortization	13,987	14,013
Loss on disposition of property and equipment	-	439
Realized and unrealized gains on investments	(182,480)	(248,262)
Changes in operating assets and liabilities		
Contributions receivable	223,061	(140,253)
Prepaid expenses and other assets	31,025	(65,919)
Accounts payable and other liabilities	<u>(21,421)</u>	<u>25,796</u>
Net cash flows from operating activities	410,766	201,990
Cash Flows from Investing Activities		
Purchases of investments	(15,885)	(1,038,680)
Proceeds from sales of investments	-	1,086,940
Purchase of property and equipment	<u>(13,873)</u>	<u>(7,837)</u>
Net cash flows from investing activities	(29,758)	40,423
Cash Flows from Financing Activity		
Endowment contributions	<u>3,800</u>	<u>3,500</u>
Net change in cash and cash equivalents	384,808	245,913
Cash and Cash Equivalents, beginning of the year	<u>745,285</u>	<u>499,372</u>
Cash and Cash Equivalents, end of the year	<u><u>\$ 1,130,093</u></u>	<u><u>\$ 745,285</u></u>

See independent accountant's review report and accompanying notes to financial statements.

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NOTES TO FINANCIAL STATEMENTS

Note 1 – Organization and Summary of Significant Accounting Policies

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. The Center has eight research centers focused on agriculture policy, education reform, environmental policy, health care policy, government reform, small business, worker rights, and transportation policy. Each of these research centers has its own full-time director to focus on their policy area. The Center also developed and maintains a free legislative website, WashingtonVotes.org, for citizens to track legislative activity.

The Center has a staff of 24 and an annual budget of approximately \$4.1 million, making it one of the largest state-based think tanks in the country. The Center has a presence across the state with staff in Seattle, Olympia, Tri-Cities, and Spokane.

The organization is on sound financial footing as well. In 2012, the Center launched its very successful Pillar Society/Major Gifts Initiative, which asks the 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 the Center each year and provides convenience, recognition, and relief to donors from multiple requests. Contributions (including those at special events) from Pillar Society members were \$1,624,424 and \$1,480,010 during the years ended December 31, 2020 and 2019, respectively. At the end of 2020, the Pillar Society/Major Gifts Initiative had raised over \$10 million from over 200 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.

In 2019, the Center'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. Part of the plan was launching the Free-Markets Create/Destroy 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 2020, the organization weathered the COVID pandemic by controlling expenses, working remotely while staying connected, running virtual events, and providing research relevant to the current issues. The Center's donors responded by continuing or even increasing their financial support of the organization. At the same time, the Center was still able to reach metrics included in the strategic plan and the Center's Free-Markets Create/Destroy campaign was a great success and reached over 10 million social media accounts.

Financial Statement Presentation

The Center reports information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions.

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NOTES TO FINANCIAL STATEMENTS

Net assets without donor restrictions are available without restriction for support of the Center's operations. The Center has designated \$1,891,871 and \$1,702,366 of net assets without donor restrictions at December 31, 2020 and 2019, respectively, for program enhancement (a quasi-endowment, see Note 3).

Some net assets with donor restrictions are temporary in nature and consist of unexpended contributions restricted for future time periods. Other net assets have perpetual donor restrictions, where the principal of the contributions is restricted in perpetuity and the income from which is utilized for the purposes specified by the donors. Net assets with temporary donor restrictions are transferred to net assets without donor restrictions as expenditures are incurred for the restricted programs or as the time restrictions are met.

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Expirations of restrictions on net assets (the donor-stipulated purpose has been fulfilled or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

Contributions and investment gains are reported as without donor restrictions if donor restrictions are met in the year the contribution or the investment gain is earned.

Net assets with donor restrictions are as follows at December 31:

	<u>2020</u>	<u>2019</u>
Net Assets with Time Restrictions		
Time restricted	\$ 1,617,338	\$ 1,825,399
Net Assets with Perpetual Endowment Restrictions		
General endowment	<u>83,811</u>	<u>80,011</u>
	<u>\$ 1,701,149</u>	<u>\$ 1,905,410</u>

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Center considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents (unless those funds are held for long-term purposes and classified as investments). The Center holds cash and cash equivalents in excess of federally insured limits. The Center has not experienced any losses in these accounts, and management does not believe it is exposed to any significant risk.

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NOTES TO FINANCIAL STATEMENTS

Contributions Receivable

Contributions receivable consist of cash pledges from various entities, but not yet received. Short-term contributions are recorded at net realizable value. Long-term contributions receivable are recognized at fair value (at the time of donation) and are measured at the present value of their expected cash flow. In arriving at fair value, management has discounted these contributions using an estimated risk-adjusted discount rate and an allowance for doubtful accounts. Management has determined that a discount and allowance for doubtful accounts was not necessary at December 31, 2020 and 2019.

Contributions receivable consist of the following and are included in the statements of financial position as follows at December 31:

	2020	2019
Contributions receivable in less than one year (current)	\$ 1,115,338	\$ 1,218,284
Contributions receivable in one to five years (noncurrent)	502,000	622,115
	<u>\$ 1,617,338</u>	<u>\$ 1,840,399</u>

Fair Value Measurements

Fair value is a market-based measurement determined based on assumptions that market participants would use in pricing an asset or liability. There are three levels that prioritize the inputs used in measuring fair value as follows:

- Level 1: Observable market inputs such as quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: Observable market inputs, other than quoted prices in active markets, that are observable either directly or indirectly; and
- Level 3: Unobservable market inputs where there is little or no market data, which require the reporting entity to develop its own assumptions.

An asset's or liability's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

Investments

The Center records its investments in marketable securities at their fair values in the statements of financial position. The fair value of investments was determined using Level 1 observable market inputs, within the fair value hierarchy, consisting of quoted prices in active markets (such as national exchanges) for identical assets. Certain cash and cash equivalents are classified as investments based on their inclusion in investment portfolios. Investments are classified as long-term assets, as they are held for the endowment (see Note 3 for further discussion).

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NOTES TO FINANCIAL STATEMENTS

Investments consist of the following at December 31:

	2020	2019
Cash and cash equivalents	\$ 39,342	\$ 63,559
Equity mutual funds	1,539,527	1,309,927
Bond mutual funds	401,873	408,891
	<u>\$ 1,980,742</u>	<u>\$ 1,782,377</u>

Net investment income (or loss) is reported on the statement of activities and consists of interest and dividend income, realized and unrealized gains and losses, less external investment expenses.

Property and Equipment

Property and equipment are stated at cost, or fair value if donated. All purchases greater than \$500 with a useful life of three years or longer are capitalized. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Computers and equipment are depreciated over five to ten years, and software is amortized over three years. The cost of maintenance and repairs is charged to expense as incurred.

Property and equipment are as follows at December 31:

	2020	2019
Computers and equipment	\$ 76,124	\$ 71,173
Software	90,770	90,770
	166,894	161,943
Less: accumulated depreciation and amortization	(136,979)	(131,914)
	<u>\$ 29,915</u>	<u>\$ 30,029</u>

Revenue Recognition

Contributions (including those received through special events) are recorded when unconditionally pledged as without donor restrictions and with donor restrictions, depending on the existence and/or nature of any donor restrictions.

Program service revenue are derived from fees earned from customers who participate in conferences and other programmatic events, speaking engagements, policy reviews, and other. Program service revenue is recognized when the performance obligation is satisfied at the time the services are provided, and no contract assets or liabilities are recognized. The transaction price for each service is based on published rates.

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NOTES TO FINANCIAL STATEMENTS

In-Kind Contributions

Donated goods, if material in amount, are recorded at their estimated fair value at the date of donation. A substantial number of volunteers have made significant contributions of time to the Center. The value of this contributed time does not meet the criteria for recognition under accounting standards and, accordingly, is not reflected in the accompanying financial statements.

In-kind contributions were received for the following services during the years ended December 31:

	2020	2019
Advertising	\$ 24,930	\$ 49,408
Professional services	30,269	17,132
Facilities	9,548	18,540
Other	22,256	45,531
	<u>\$ 87,003</u>	<u>\$ 130,611</u>

Functional Allocation of Expenses

The costs of providing the various programs and other activities of the Center have been summarized on a functional basis in the statements of activities and functional expenses. Certain expenses are attributed to more than one program or supporting function. Accordingly, certain costs have been allocated among the programs and supporting services benefited based on an estimate of personnel time and usage for the related activities. The majority of expenses are allocated based on payroll costs, which are tracked using time and effort reporting by employees. Printing and postage, occupancy, miscellaneous, professional fees, and office expenses are allocated based on time and effort.

Advertising and Promotion

The Center uses advertising to promote its programs among the audiences it serves and its fundraising events. Advertising and promotion costs are expensed as incurred. Advertising and promotion expense for the years ended December 31, 2020 and 2019 totaled \$716,359 and \$399,411, respectively.

Income Taxes

The Internal Revenue Service has determined that the Center is exempt from federal income taxes under Internal Revenue Code Section 501(c)(3). As such, it is subject to income taxes only on unrelated business income. During the years ended December 31, 2020 and 2019, the Center had no unrelated business income and, accordingly, no provision for federal income taxes has been reported in the accompanying financial statements.

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NOTES TO FINANCIAL STATEMENTS

Recent Accounting Pronouncement Adopted

During the year ended December 31, 2020, the Center adopted the provisions of Accounting Standards Update (ASU) No. 2014-09, Revenue from Contracts with Customers (Topic 606). The update clarifies the principles for recognizing revenue and develops a common revenue standard that removes inconsistencies and weaknesses in revenue requirements, provides a more robust framework for addressing revenue issues, and provides more useful information to the users of the financial statements through improved disclosure requirements. Only one of the Center's revenue streams is subject to the ASU: program service fees. The ASU has been applied retrospectively to all periods presented, with no impact to the change in net assets or total net assets.

Reclassifications

Certain prior year balances have been reclassified in order to conform to the current year presentation.

Subsequent Events

The Center has evaluated subsequent events through the date these financial statements were available to be issued, which was June 3, 2021.

Note 2 – Related Party Transactions

The Center leases its primary office space in Seattle from a company owned by a board member. The lease is currently on a month-to-month basis following a three year lease that ended December 31, 2019. Total expense incurred under the lease was \$116,028 for each of the years ending December 31, 2020 and 2019.

Board members made contributions to the Center of \$444,720 and \$378,543 during the years ended December 31, 2020 and 2019, respectively. At December 31, 2020 and 2019, contributions receivable from board members were \$285,000 and \$655,333, respectively.

Note 3 – Liquidity and Availability of Resources

The Center regularly monitors its current and future needs for operations to ensure it has sufficient funds on hand to cover its operating expenses. In addition to financial assets disclosed below, the Center has an unsecured line-of-credit in the amount of \$200,000, which it could draw upon in the event of an unanticipated liquidity need. There was no outstanding balance or any draws/repayments on this line of credit as of and for the years ended December 31, 2020 and 2019.

The Center intends to invest cash in excess of anticipated needs for one year in its board-designated endowment fund to increase investment yields.

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NOTES TO FINANCIAL STATEMENTS

The following table reflects the Center's financial assets as of December 31, 2020 and 2019, reduced by amounts that are not available to meet general expenditures within one year of the statement of financial position date because of contractual restrictions or internal board designations. Amounts not available include board-designated funds that are intended to fund special board initiatives not considered in the annual operating budget. In the event the need arises to utilize the board-designated funds for liquidity purposes, the reserves could be drawn upon through board resolution.

	2020	2019
Financial Assets:		
Cash and cash equivalents	\$ 1,130,093	\$ 745,285
Contributions receivable	1,617,338	1,840,399
Investments	1,980,742	1,782,377
	<u>4,728,173</u>	<u>4,368,061</u>
Amounts Not Available to be Used Within One Year:		
Contributions receivable not collectible within the next year	(502,000)	(622,115)
Net assets with board designations	(1,896,931)	(1,702,366)
Net assets with donor restrictions for endowments	<u>(83,811)</u>	<u>(80,011)</u>
	<u>\$ 2,245,431</u>	<u>\$ 1,963,569</u>

Note 4 – Endowment

The Center's endowment includes one individual perpetual fund for the purpose of providing general support as well as funds designated by the Board of Directors to function as endowments (quasi-endowments). As required by accounting principles generally accepted in the United States, net assets associated with endowment funds, including quasi-endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Board of Directors of the Center has interpreted the State of Washington Uniform Prudent Management of Institutional Funds Act (UPMIFA) 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. As a result of this interpretation, the Center classifies as net assets with perpetual donor restrictions as (a) the original value of gifts donated to the perpetual endowment, plus (b) the original value of subsequent gifts to the perpetual endowment and accumulations to the perpetual endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in net assets with perpetual donor restrictions is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the Center in a manner consistent with the standard of prudence prescribed by UPMIFA.

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In accordance with UPMIFA, the Center considers the following factors in deciding to appropriate or accumulate donor-restricted funds:

- The duration and preservation of the endowment fund
- The purposes of the Center and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation or deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Center
- The investment policies of the Center

Changes in endowment net assets are as follows for the years ended December 31:

	2020			
	Without Donor Restrictions	With Donor Restrictions		Total
		Unappropriated Earnings	Perpetual	
Endowment net assets, beginning of year	\$ 1,702,366	\$ -	\$ 80,011	\$ 1,782,377
Investment return				
Interest and dividends	15,215	715	-	15,930
Net appreciation (realized and unrealized) in investments	174,290	8,190	-	182,480
Total investment return	189,505	8,905	-	198,410
Contributions received	-	-	3,800	3,800
Appropriation of endowment earnings for expenditure, net of reinvestment in endowment	5,060	(8,905)	-	(3,845)
Endowment net assets, end of year	\$ 1,896,931	\$ -	\$ 83,811	\$ 1,980,742

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	2019			
	Without Donor Restrictions	With Donor Restrictions		Total
		Unappropriated Earnings	Perpetual	
Endowment net assets, beginning of year	\$ 1,505,864	\$ -	\$ 76,511	\$ 1,582,375
Investment return				
Interest and dividends	45,417	2,308	-	47,725
Net appreciation (realized and unrealized) in investments	236,258	12,004	-	248,262
Total investment return	281,675	14,312	-	295,987
Contributions received	-	-	3,500	3,500
Transfers out, net	(85,173)	-		(85,173)
Appropriation of endowment earnings for expenditure	-	(14,312)	-	(14,312)
Endowment net assets, end of year	<u>\$ 1,702,366</u>	<u>\$ -</u>	<u>\$ 80,011</u>	<u>\$ 1,782,377</u>

Return Objectives and Risk Parameters

The Center has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Center must hold in perpetuity or for a donor-specified period, as well as quasi-endowment funds. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to protect principal while maximizing returns within parameters of reasonable and prudent risk. The Center's goal is to manage the funds to provide a total return over a five-year rolling period exceeding the Consumer Price Index plus administrative costs. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Center relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Center targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Center makes available for spending an amount equal to the sum of the assumed long-term future net investment returns minus the sum of the assumed long-term rate of inflation plus net of investment fees. The Center shall annually analyze the spending guideline in light of various factors to determine the actual amount to be distributed.

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NOTES TO FINANCIAL STATEMENTS

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor or UPMIFA requires the Center to retain as a fund of perpetual duration. There were no deficiencies of this nature at December 31, 2020 or 2019.