

WASHINGTON POLICY CENTER

Reviewed Financial Statements
December 31, 2023 and 2022

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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 statements of financial position as of December 31, 2023 and 2022, and the related statements of activities, functional expenses, 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 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.

We are required to be independent of Washington Policy Center and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our review.

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.

Greenwood Ohlund

Seattle, Washington
June 11, 2024

WASHINGTON POLICY CENTER

STATEMENTS OF FINANCIAL POSITION

December 31, 2023 and 2022

ASSETS	<u>2023</u>	<u>2022</u>
Current Assets		
Cash and cash equivalents	\$ 217,247	\$ 1,087,830
Contributions receivable	1,232,525	1,805,710
Prepaid expenses and other assets	<u>96,500</u>	<u>55,194</u>
Total current assets	1,546,272	2,948,734
Endowment Investments	2,552,119	2,212,287
Contributions Receivable, net of current portion	474,550	742,500
Right-of-Use Asset - Operating Lease	483,625	-
Property and Equipment, net	<u>26,341</u>	<u>2,041</u>
Total assets	<u><u>\$ 5,082,907</u></u>	<u><u>\$ 5,905,562</u></u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable and other liabilities	\$ 235,690	\$ 177,491
Operating lease liabilities	<u>106,888</u>	<u>-</u>
Total current liabilities	342,578	177,491
Operating Lease Liabilities, less current portion	<u>422,796</u>	<u>-</u>
Total liabilities	765,374	177,491
Net Assets		
Without donor restrictions	2,504,147	3,079,050
With donor restrictions	<u>1,813,386</u>	<u>2,649,021</u>
Total net assets	<u>4,317,533</u>	<u>5,728,071</u>
Total liabilities and net assets	<u><u>\$ 5,082,907</u></u>	<u><u>\$ 5,905,562</u></u>

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

WASHINGTON POLICY CENTER

STATEMENTS OF ACTIVITIES
For the Years Ended December 31, 2023 and 2022

	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue						
Contributions	\$ 2,018,639	\$ 701,950	\$ 2,720,589	\$ 1,402,819	\$ 2,214,500	\$ 3,617,319
Special events revenue	416,184	-	416,184	688,374	-	688,374
Special events - direct benefit to donors	(575,223)	-	(575,223)	(629,242)	-	(629,242)
In-kind contributions	11,759	-	11,759	38,259	-	38,259
Program service revenue	11,886	-	11,886	12,780	-	12,780
Net assets released from restrictions	1,554,301	(1,554,301)	-	2,157,027	(2,157,027)	-
Total support and revenue	3,437,546	(852,351)	2,585,195	3,670,017	57,473	3,727,490
Expenses						
Program services	3,033,761	-	3,033,761	2,687,827	-	2,687,827
Management and general	619,131	-	619,131	494,491	-	494,491
Fundraising	680,145	-	680,145	651,488	-	651,488
Total expenses	4,333,037	-	4,333,037	3,833,806	-	3,833,806
Change in net assets before investment return	(895,491)	(852,351)	(1,747,842)	(163,789)	57,473	(106,316)
Investment Return	320,588	16,716	337,304	(381,610)	-	(381,610)
Change in net assets	(574,903)	(835,635)	(1,410,538)	(545,399)	57,473	(487,926)
Net Assets, beginning of year	3,079,050	2,649,021	5,728,071	3,624,449	2,591,548	6,215,997
Net Assets, end of year	<u>\$ 2,504,147</u>	<u>\$ 1,813,386</u>	<u>\$ 4,317,533</u>	<u>\$ 3,079,050</u>	<u>\$ 2,649,021</u>	<u>\$ 5,728,071</u>

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, 2023 and 2022

	2023				2022			
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
Salaries, benefits, and taxes	\$ 2,111,894	\$ 347,411	\$ 464,307	\$ 2,923,612	\$ 1,812,835	\$ 261,320	\$ 461,918	\$ 2,536,073
Event rooms, meals and other	307,224	-	575,223	882,447	211,779	-	638,504	850,283
Advertising and promotion	237,563	-	-	237,563	348,426	-	-	348,426
Miscellaneous	43,052	95,603	38,433	177,088	37,402	124,161	29,225	190,788
Printing and postage	29,264	856	115,206	145,326	30,616	1,127	94,476	126,219
Occupancy	113,443	14,180	14,180	141,803	100,582	12,573	12,573	125,728
Travel	88,211	-	16,009	104,220	54,859	-	10,940	65,799
Professional fees	13,176	74,596	12,622	100,394	8,944	24,756	15,926	49,626
Office expense	58,746	6,774	10,014	75,534	41,899	3,594	7,121	52,614
Bad debt expense	-	71,700	-	71,700	-	59,000	-	59,000
Insurance	6,648	6,648	6,648	19,944	5,872	5,872	5,872	17,616
Grants	15,000	-	-	15,000	17,500	-	-	17,500
Depreciation and amortization	9,540	1,363	2,726	13,629	14,613	2,088	4,175	20,876
Contract services	-	-	-	-	2,500	-	-	2,500
Total expenses	3,033,761	619,131	1,255,368	4,908,260	2,687,827	494,491	1,280,730	4,463,048
Less: direct benefit to donors	-	-	(575,223)	(575,223)	-	-	(629,242)	(629,242)
	<u>\$ 3,033,761</u>	<u>\$ 619,131</u>	<u>\$ 680,145</u>	<u>\$ 4,333,037</u>	<u>\$ 2,687,827</u>	<u>\$ 494,491</u>	<u>\$ 651,488</u>	<u>\$ 3,833,806</u>

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

WASHINGTON POLICY CENTER

STATEMENTS OF CASH FLOWS For the Years Ended December 31, 2023 and 2022

	2023	2022
Cash Flows from Operating Activities		
Change in net assets	\$ (1,410,538)	\$ (487,926)
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Endowment contributions	(5,500)	(500)
Realized and unrealized losses (gains) on investments	(275,512)	436,190
Amortization of right-of-use asset - operating lease	46,059	-
Depreciation and amortization	13,629	20,876
Bad debt expense	71,700	59,000
Changes in operating assets and liabilities:		
Contributions receivable	769,435	(115,973)
Prepaid expenses and other assets	(41,306)	26,881
Accounts payable and other liabilities	58,199	42,063
	(773,834)	(19,389)
Net cash flows from operating activities		
Cash Flows from Investing Activities		
Purchases of investments	(64,320)	(55,214)
Purchase of property and equipment	(37,929)	(3,691)
	(102,249)	(58,905)
Net cash flows from investing activities		
Cash Flows from Financing Activity		
Endowment contributions	5,500	500
	(870,583)	(77,794)
Net change in cash and cash equivalents		
Cash and Cash Equivalents, beginning of the year	1,087,830	1,165,624
Cash and Cash Equivalents, end of the year	\$ 217,247	\$ 1,087,830

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

WASHINGTON POLICY CENTER

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 growth, transportation policy, and worker rights. Most of these research centers have their own full-time director to focus on their respective policy areas.

The Center has a staff of 24 and an annual budget of approximately \$5.0 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, Cle Elum, Vancouver, Moses Lake, Yakima, and Spokane.

The Center is on sound financial footing as well. In 2012, the Center launched its highly successful Pillar Society Initiative, which enlists the Center's supporters in three-year philanthropic pledges ranging from \$5,000 to \$100,000+ annually. This sustained foundation for giving also provides the Center's most loyal donors with a fair and transparent array of engagement opportunities, benefits, and recognition they can expect each year. Contributions from Pillar Society members totaled \$1,160,200 and \$1,904,000 during the years ended December 31, 2023 and 2022, respectively. Through December 31, 2023, the Pillar Society Initiative has raised more than \$18 million from well over 300 households and organizations. Overall, 95 percent of the Center's support and revenue come from sources within Washington State.

In 2023, the Center initiated the first phase of a three-year strategic plan to boost internal infrastructure, modernize the organization for the future, and broaden WPC's reach across the state – all with the effect of delivering the data-driven education and tangible benefits free-market policies deliver to the families and businesses of Washington State.

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.

Net assets without donor restrictions are available without restriction for support of the Center's operations. The Center has designated \$2,445,808 and \$2,111,476 of net assets without donor restrictions at December 31, 2023 and 2022, respectively, for program enhancement (a quasi-endowment, see Note 5).

Some net assets with donor restrictions are temporary in nature and consist of unexpended contributions restricted for particular purposes or 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.

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NOTES TO FINANCIAL STATEMENTS

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>2023</u>	<u>2022</u>
Net Assets with Time and Purpose Restrictions		
Time restricted	\$ 1,487,075	\$ 2,218,210
Young Professionals	<u>220,000</u>	<u>330,000</u>
	1,707,075	2,548,210
Net Assets with Perpetual Endowment Restrictions		
General endowment	<u>106,311</u>	<u>100,811</u>
	<u>\$ 1,813,386</u>	<u>\$ 2,649,021</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.

Contributions Receivable

Contributions receivable consist of 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 considers discounting 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, 2023 and 2022.

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NOTES TO FINANCIAL STATEMENTS

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

	<u>2023</u>	<u>2022</u>
Contributions receivable in less than one year (current)	\$ 1,232,525	\$ 1,805,710
Contributions receivable in one to five years (noncurrent)	<u>474,550</u>	<u>742,500</u>
	<u>\$ 1,707,075</u>	<u>\$ 2,548,210</u>

At both December 31, 2023 and 2022, 13% of contributions receivable were due from one donor.

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 5 for further discussion).

Investments consist of the following at December 31:

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 533,009	\$ 26,340
Equity mutual funds	1,522,970	1,641,976
Bond mutual funds	<u>496,140</u>	<u>543,971</u>
	<u>\$ 2,552,119</u>	<u>\$ 2,212,287</u>

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NOTES TO FINANCIAL STATEMENTS

Investment return is reported on the statement of activities and consists of interest and dividend income, realized and unrealized gains and losses, less external investment expenses.

Leases

The Center determines if an arrangement is a lease at inception. Operating leases are included in ROU assets and operating lease liabilities in the statements of financial position.

ROU assets represent the Center's right to use an underlying asset for the lease term and lease obligations represent the Center's obligation to make lease payments arising from the lease. ROU assets and liabilities are recognized at the commencement date, based on the present value of lease payments over the lease term. Lease terms may include options to extend or terminate the lease when it is reasonably certain that the Center will exercise that option. Lease expense for operating lease payments is recognized on a straight-line basis over the lease term.

The Center has elected to recognize payments for short-term leases with a lease term of 12 months or less as expense as incurred and these leases are not included as right of use assets or lease obligations on the statements of financial position. Management has determined that any discount rate used for computing the present value of lease liabilities would be immaterial and as such is not included in these financial statements.

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 and amortization 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.

Property and equipment are as follows at December 31:

	2023	2022
Computers and equipment	\$ 76,525	\$ 76,312
Software	-	76,545
	76,525	152,857
Less: accumulated depreciation and amortization	(50,184)	(150,816)
	<u>\$ 26,341</u>	<u>\$ 2,041</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.

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NOTES TO FINANCIAL STATEMENTS

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.

In-Kind Contributions

Donated goods 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:

	2023	2022
Event goods and other	\$ 3,619	\$ 32,814
Advertising	8,140	5,445
	<u>\$ 11,759</u>	<u>\$ 38,259</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. Event rooms, meals and other, miscellaneous, printing and postage, occupancy and other 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, 2023 and 2022 totaled \$237,563 and \$348,426, 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, 2023 and 2022, the Center had no unrelated business income and, accordingly, no provision for federal income taxes has been reported in the accompanying financial statements.

WASHINGTON POLICY CENTER

NOTES TO FINANCIAL STATEMENTS

Subsequent Events

The Center has evaluated subsequent events through the date these financial statements were available to be issued, which was June 11, 2024.

Note 2 – 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, 2023 and 2022.

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

The following table reflects the Center’s financial assets as of December 31, 2023 and 2022, 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 with donors 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.

	<u>2023</u>	<u>2022</u>
Financial Assets:		
Cash and cash equivalents	\$ 217,247	\$ 1,087,830
Contributions receivable	1,707,075	2,548,210
Investments	<u>2,552,119</u>	<u>2,212,287</u>
	4,476,441	5,848,327
Amounts Not Available to be Used Within One Year:		
Contributions receivable not collectible within the next year	(474,550)	(742,500)
Net assets with board designations	(2,445,808)	(2,111,476)
Net assets with donor restrictions	<u>(326,311)</u>	<u>(430,811)</u>
	<u>\$ 1,229,772</u>	<u>\$ 2,563,540</u>

Note 3 – Related Party Transactions

Through May 2023, the Center leased its primary office space in Seattle from a company owned by a board member under a month-to-month agreement. Total expense incurred under the lease was \$62,848 and \$116,028 during the years ending December 31, 2023 and 2022, respectively.

Board members made contributions to the Center of \$290,432 and \$748,625 during the years ended December 31, 2023 and 2022, respectively. At December 31, 2023 and 2022, contributions receivable from board members were \$277,000 and \$768,000, respectively.

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NOTES TO FINANCIAL STATEMENTS

Note 4 – Lease Obligation

In September 2023, the Organization entered into a lease agreement for office space in Seattle, Washington, expiring in June 2027. This lease provides for annual increases in future minimum monthly rental payments and requires the Organization to pay a proportionate share of operating costs.

The Organization has recognized an ROU asset and corresponding operating lease liability, representing the discounted payments required under the lease through maturity. ROU assets obtained in exchange for new operating lease liabilities totaled \$529,684 during the year ended December 31, 2023.

Operating lease costs under this lease totaled \$46,059 for the year ended December 31, 2023, and is included within occupancy in the statements of functional expenses.

A maturity analysis of annual undiscounted cash flows for lease liabilities as of December 31, 2023, is as follows for the years ending December 31:

2024	\$	106,888
2025		165,132
2026		170,076
2027		87,588
		<hr/>
	\$	<u>529,684</u>

Operating lease liabilities are presented in the statements of financial position as follows at December 31:

	<u>2023</u>	<u>2022</u>
Operating lease liability (a current liability)	\$ 106,888	\$ -
Operating lease liability, less current portion	<u>422,796</u>	<u>-</u>
	<u>\$ 529,684</u>	<u>\$ -</u>

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WASHINGTON POLICY CENTER

NOTES TO FINANCIAL STATEMENTS

Note 5 – 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.

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:

	2023			Total
	Without Donor Restrictions	With Donor Restrictions		
		Unappropriated Earnings	Perpetual	
Endowment net assets, beginning of year	\$ 2,111,476	\$ -	\$ 100,811	\$ 2,212,287
Investment return	334,332			334,332
Contributions received	-	-	5,500	5,500
Endowment net assets, end of year	\$ 2,445,808	\$ -	\$ 106,311	\$ 2,552,119

WASHINGTON POLICY CENTER

NOTES TO FINANCIAL STATEMENTS

	2022			Total
	Without Donor Restrictions	With Donor Restrictions		
		Unappropriated Earnings	Perpetual	
Endowment net assets, beginning of year	\$ 2,492,952	\$ -	\$ 100,311	\$ 2,593,263
Investment return	(381,476)			(381,476)
Contributions received	-	-	500	500
Endowment net assets, end of year	\$ 2,111,476	\$ -	\$ 100,811	\$ 2,212,287

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.

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, 2023 or 2022.