



D.C. POLICY

CENTER

FINANCIAL STATEMENTS

December 31, 2023 and 2022

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
DC Policy Center
Washington, D.C.

Opinion

We have audited the financial statements of DC Policy Center, 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.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of DC Policy Center as of December 31, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of DC Policy Center and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about DC Policy Center's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of DC Policy Center's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about DC Policy Center's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.



Wegner CPAs, LLP
Alexandria, Virginia
April 15, 2024

DC POLICY CENTER
STATEMENTS OF FINANCIAL POSITION
December 31, 2023 and 2022

	2023	2022
ASSETS		
CURRENT ASSETS		
Cash	\$ 928,038	\$ 829,264
Accounts receivable	104,150	60,000
Employee Retention Credit receivable	-	150,986
Current portion of unconditional promises to give	396,000	30,000
Total current assets	1,428,188	1,070,250
LONG-TERM ASSETS		
Unconditional promises to give	110,000	-
Total assets	\$ 1,538,188	\$ 1,070,250
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 50,629	\$ 4,763
Current portion of Economic Injury Disaster loan	12,503	12,164
Accrued vacation	27,015	17,980
Total current liabilities	90,147	34,907
LONG-TERM LIABILITIES		
Economic Injury Disaster Loan less current portion	470,635	483,138
Total liabilities	560,782	518,045
NET ASSETS		
Without donor restrictions	198,239	445,955
With donor restrictions		
Subsequent years' operations	466,667	-
Development of Inclusionary Conversation	270,833	-
Building Career Assets	35,000	-
Business Survey Report	6,667	-
Education	-	106,250
Total net assets with donor restrictions	779,167	106,250
Total net assets	977,406	552,205
Total liabilities and net assets	\$ 1,538,188	\$ 1,070,250

See accompanying notes.

DC POLICY CENTER
STATEMENT OF ACTIVITIES
Year Ended December 31, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Contributions and grants	\$ 775,826	\$ 1,040,000	\$ 1,815,826
Paid research	134,927	-	134,927
Total support and revenue	910,753	1,040,000	1,950,753
EXPENSES			
Research	1,139,035	-	1,139,035
Management and general	203,913	-	203,913
Fundraising	182,604	-	182,604
Total expenses	1,525,552	-	1,525,552
NET ASSETS RELEASED FROM RESTRICTIONS			
Expiration of time restrictions	58,333	(58,333)	-
Satisfaction of purpose restrictions	308,750	(308,750)	-
Net assets released from restrictions	367,083	(367,083)	-
Change in net assets	(247,716)	672,917	425,201
Net assets at beginning of year	445,955	106,250	552,205
Net assets at end of year	<u>\$ 198,239</u>	<u>\$ 779,167</u>	<u>\$ 977,406</u>

See accompanying notes.

DC POLICY CENTER
STATEMENT OF ACTIVITIES
Year Ended December 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Contributions and grants	\$ 686,499	\$ 428,500	\$ 1,114,999
Employee Retention Credit	150,986	-	150,986
Paid research	240,206	-	240,206
	<hr/>	<hr/>	<hr/>
Total support and revenue	1,077,691	428,500	1,506,191
EXPENSES			
Research	776,177	-	776,177
Management and general	401,403	-	401,403
Fundraising	279,215	-	279,215
	<hr/>	<hr/>	<hr/>
Total expenses	1,456,795	-	1,456,795
NET ASSETS RELEASED FROM RESTRICTIONS			
Expiration of time restrictions	143,500	(143,500)	-
Satisfaction of purpose restrictions	623,750	(623,750)	-
	<hr/>	<hr/>	<hr/>
Net assets released from restrictions	767,250	(767,250)	-
Change in net assets	388,146	(338,750)	49,396
Net assets at beginning of year	57,809	445,000	502,809
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Net assets at end of year	<u>\$ 445,955</u>	<u>\$ 106,250</u>	<u>\$ 552,205</u>

See accompanying notes.

DC POLICY CENTER
STATEMENTS OF FUNCTIONAL EXPENSES
Years Ended December 31, 2023 and 2022

	2023			
	Research	Management and General	Fundraising	Total Expenses
Personnel	\$ 934,636	\$ 157,727	\$ 152,076	\$ 1,244,439
Professional fees	40,756	18,205	15	58,976
Office expenses	10,259	1,731	1,669	13,659
Conferences and meetings	23,780	-	-	23,780
Insurance	7,466	1,260	1,215	9,941
Occupancy	72,101	12,168	11,731	96,000
Advertising	-	4,378	-	4,378
Information technology	39,922	6,737	6,495	53,154
Interest	10,115	1,707	1,646	13,468
Travel	-	-	7,757	7,757
Total expenses	\$ 1,139,035	\$ 203,913	\$ 182,604	\$ 1,525,552
	2022			
	Research	Management and General	Fundraising	Total Expenses
Personnel	\$ 599,677	\$ 301,924	\$ 240,665	\$ 1,142,266
Professional fees	59,768	33,024	-	92,792
Office expenses	2,575	5,405	1,034	9,014
Conferences and meetings	30,275	17,807	-	48,082
Insurance	1,850	931	742	3,523
Occupancy	50,399	25,375	20,226	96,000
Advertising	-	1,011	-	1,011
Information technology	23,625	11,894	9,481	45,000
Interest	8,008	4,032	3,214	15,254
Travel	-	-	3,853	3,853
Total expenses	\$ 776,177	\$ 401,403	\$ 279,215	\$ 1,456,795

See accompanying notes.

DC POLICY CENTER
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2023 and 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 425,201	\$ 49,396
Adjustments to reconcile change in net assets to net cash flows from operating activities		
(Increase) decrease in assets		
Accounts receivable	(44,150)	(42,400)
Employee Retention Credit receivable	150,986	(150,986)
Unconditional promises to give	(476,000)	190,000
Increase (decrease) in liabilities		
Accounts payable	45,866	(8,006)
Accrued vacation	9,035	892
Accrued interest	-	(5,977)
Net cash flows from operating activities	110,938	32,919
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on Economic Injury Disaster Loan	(12,164)	(4,698)
Change in cash	98,774	28,221
Cash at beginning of year	829,264	801,043
Cash at end of year	<u>\$ 928,038</u>	<u>\$ 829,264</u>
SUPPLEMENTAL DISCLOSURE		
Cash paid for interest	\$ 13,468	\$ 20,935

See accompanying notes.

DC POLICY CENTER
NOTES TO FINANCIAL STATEMENTS
December 31, 2023 and 2022

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Established in 2016, the DC Policy Center is a non-partisan think tank committed to advancing policies for a strong and vibrant economy in the District of Columbia. The DC Policy Center informs policymaking by offering data and analyses on the District's economy and demography and engages in policymaking by developing and promoting policy proposals, building coalitions to facilitate their adoption, and providing the strongest evidence and the most convincing arguments in support of our policy agenda. The DC Policy Center's main audience includes key members of the District's policy world who collectively shape the direction of policy in the District, such as the Mayor and executive appointees; Councilmembers and their staff; career civil servants; and engaged advocates, employers, business groups, associations, academics, and analysts. The DC Policy Center is primarily funded by contributions and research contracts.

Promises to Give

Unconditional promises to give are recognized as revenues in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

Accounts Receivable

Accounts receivable primarily represent amounts due from third parties for consulting for paid research engagements. DC Policy Center uses historical loss information based on the aging of accounts receivable as the basis to determine expected credit losses. Management believes the composition of accounts receivable is consistent with historical conditions and accounts receivable are expected to be settled within a relatively short time frame based on current conditions. As such, credit losses are expected to be insignificant.

Contributions

Contributions received are recorded as increases in net assets without donor restrictions or net assets with donor restrictions depending on the existence and/or nature of any donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Paid Research

DC Policy Center conducts policy and educational research for third party payors in which a contract is entered into specifying specific deliverables and the fixed fees earned for the research. Revenue from this research is recognized at the point in time when DC Policy Center provides the particular service.

DC POLICY CENTER
NOTES TO FINANCIAL STATEMENTS
December 31, 2023 and 2022

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Expense Allocation

The financial statements report certain categories of expenses that are attributable to more than one program service or supporting activity. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include personnel, occupancy, office, insurance, interest, and information technology which are allocated on the basis of estimates of time and effort.

Advertising

Advertising costs are expensed in the period incurred.

Leases

DC Policy Center does not recognize short-term leases in the statements of financial position. For these leases, DC Policy Center recognizes the lease payments in the change in net assets on a straight-line basis over the lease term and variable lease payments in the period in which the obligation for those payments is incurred. DC Policy Center also does not separate nonlease components from lease components for all classes of underlying assets and instead accounts for each separate lease component and the nonlease components associated with that lease component as a single lease component. If the rate implicit in the lease is not readily determinable, DC Policy Center uses a risk-free rate as the discount rate for the lease for all classes of underlying assets.

Income Tax Status

The DC Policy Center is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. In addition, DC Policy Center qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2).

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Date of Management's Review

Management has evaluated subsequent events through April 15, 2024, the date which the financial statements were available to be issued.

DC POLICY CENTER
NOTES TO FINANCIAL STATEMENTS
December 31, 2023 and 2022

NOTE 2—UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give are as follows:

	2023	2022
Receivable in less than one year	\$ 396,000	\$ 30,000
Receivable in one to five years	110,000	-
Unconditional promises to give	\$ 506,000	\$ 30,000

NOTE 3—RETIREMENT PLAN

The DC Policy Center offers its employees a 401(k) retirement plan, in which both DC Policy Center and eligible employees can contribute. Full-time employees are eligible to participate in the plan after successfully completing six months of service. Employees are immediately 100% vested in the retirement plan and DC Policy Center matches employee contributions, up to 6%. For the years ended December 31, 2023 and 2022, retirement plan expense totaled \$56,219 and \$51,314, respectively.

NOTE 4—CONCENTRATIONS

Donor Concentration

For the years ended December 31, 2023 and 2022, approximately 50% and 40%, respectively, of the DC Policy Center's support and revenue was provided by 3 and 4 donors, respectively.

Credit Risk

The DC Policy Center maintains its cash balances in three financial institutions located in Washington, D.C. The balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. At December 31, 2023 and 2022, DC Policy Center's uninsured cash balances totaled approximately \$685,000 and \$580,000, respectively.

NOTE 5—CONDITIONAL PROMISE TO GIVE

The DC Policy Center has contributions for which the donors' promise to give are conditioned upon the DC Policy Center incurring certain qualifying expenses. At December 31, 2023, conditional promises to give total \$415,000. The promises will be recognized as revenue when the respective conditions are met in future years.

NOTE 6—ECONOMIC INJURY DISASTER LOAN

In May 2020 in response to the COVID-19 pandemic, the DC Policy Center applied for and received a \$500,000 Economic Injury Disaster Loan (EIDL) from the United States Small Business Administration. Monthly payments totaling \$2,136, including principal and interest at 2.75%, began in January 2023. The loan matures in June 2051 and is secured by the assets of the DC Policy Center.

DC POLICY CENTER
NOTES TO FINANCIAL STATEMENTS
December 31, 2023 and 2022

NOTE 6—ECONOMIC INJURY DISASTER LOAN (continued)

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

2024		\$	12,503
2025			12,851
2026			13,209
2027			12,056
2028			11,678
Thereafter			420,841

NOTE 7—LIQUIDITY AND AVAILABILITY

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

	2023	2022
Financial assets at year-end	\$ 1,538,188	\$ 1,070,250
Less those unavailable for general expenditures within one year, due to:		
Restricted by donor with purpose restrictions	(312,500)	(106,250)
Financial assets available to meet cash needs for general expenditures within one year	\$ 1,225,688	\$ 964,000

The DC Policy Center is supported, in part, by restricted contributions and grants. Because a donor’s restriction requires resources to be used in a particular manner or in a future period, DC Policy Center must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for expenditure within one year. As part of the DC Policy Center’s liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

NOTE 8—EMPLOYEE RETENTION CREDIT

During the year ended December 31, 2022, DC Policy Center claimed Employee Retention Credits (ERC) totaling \$150,986 under the provisions the Coronavirus Aid, Relief, and Economic Security Act, as amended. Employers are eligible for the ERC if they experience either a significant decline in gross receipts or the full or partial suspension of operations because of governmental orders limiting commerce, travel, or group meetings due to COVID-19. DC Policy Center determined it had a significant decline in gross receipts and claimed the ERC for the second calendar quarter of 2020, as well as the second and third calendar quarters of 2021. The Internal Revenue Service (IRS) generally has five years from the date an ERC claim is filed to audit the claim. Therefore, the IRS may audit DC Policy Center’s eligibility for the ERC and its substantiation of the amounts claimed. If the IRS determines DC Policy Center was ineligible for the ERC, DC Policy Center could be required to repay the amount claimed along with penalties and interest.

DC POLICY CENTER
NOTES TO FINANCIAL STATEMENTS
December 31, 2023 and 2022

NOTE 9—LEASE

The DC Policy Center sub-leases office space in Washington, D.C. on a month-to-month basis. For the years ended December 31, 2023 and 2022, rent expense for this lease totaled \$96,000 each year.