

DC FISCAL POLICY INSTITUTE, INC.

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT**

DECEMBER 31, 2019

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Independent Auditor's Report

To the Board of Directors
DC Fiscal Policy Institute, Inc.
Washington, DC

Report on the Financial Statements

We have audited the accompanying financial statements of DC Fiscal Policy Institute, Inc., (a nonprofit organization), which comprise the statement of financial position as of December 31, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independent Auditor's Report
DC Fiscal Policy Institute, Inc.
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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of DC Fiscal Policy Institute, Inc. as of December 31, 2019 and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Jane Marusa & M^oQuade PA

October 15, 2020
Washington, DC

**DC FISCAL POLICY INSTITUTE, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2019**

ASSETS

CURRENT ASSETS

Cash	\$ 441,610
Investments	2,936
Grants receivable	1,235,890
Prepays	7,473
Total Current Assets	1,687,909

PROPERTY AND EQUIPMENT, NET

Furniture and equipment	1,200
Computers	9,250
	10,450
Less accumulated depreciation	(2,021)
Total Property and Equipment, Net	8,429

OTHER ASSETS

Deposits	21,200
Total Other Assets	21,200

TOTAL ASSETS

\$ 1,717,538

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	\$ 20,653
Accrued expenses	22,278
Total Current Liabilities	42,931

NET ASSETS

With donor restrictions	1,352,776
Without donor restrictions	321,831
Total Net Assets	1,674,607

TOTAL LIABILITIES AND NET ASSETS

\$ 1,717,538

The accompanying notes are an integral part of these financial statements.

DC FISCAL POLICY INSTITUTE, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2019

	Without donor Restrictions	With donor Restrictions	Total
REVENUE AND SUPPORT			
Grants and contributions	\$ 925,192	\$ 917,481	\$ 1,842,673
Program income	69,050	-	69,050
Investment income	1,155	-	1,155
In-kind donations	11,620	-	11,620
Other income	2,814	-	2,814
Total Revenue and Support	1,009,831	917,481	1,927,312
EXPENSES			
Program Services:			
Policy Solutions	704,511	-	704,511
Outreach	33,893	-	33,893
Total Program Services	738,404	-	738,404
Supporting Services:			
Management and general	63,301	-	63,301
Fundraising	191,464	-	191,464
Total Supporting Services	254,765	-	254,765
Total Expenses	993,169	-	993,169
CHANGE IN NET ASSETS	16,662	917,481	934,143
NET ASSETS, beginning of year	305,169	435,295	740,464
NET ASSETS, end of year	\$ 321,831	\$ 1,352,776	\$ 1,674,607

The accompanying notes are an integral part of these financial statements.

DC FISCAL POLICY INSTITUTE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2019

	Programs			Supporting Services			Total Expenses
	Policy Solutions	Outreach	Total Programs	Management and General	Fundraising	Total Support Services	
Salaries	\$ 440,869	\$ 22,043	\$ 462,912	\$ 16,533	\$ 71,641	\$ 88,174	\$ 551,086
Employee benefits	33,445	1,672	35,117	1,254	5,435	6,689	41,806
Retirement benefits	28,302	1,415	29,717	1,062	4,599	5,661	35,378
Payroll taxes	39,761	1,988	41,749	1,491	6,461	7,952	49,701
Total Personnel Expenses	542,377	27,118	569,495	20,340	88,136	108,476	677,971
Accounting	-	-	-	11,894	-	11,894	11,894
Advertising and marketing	-	-	-	8,072	2,108	10,180	10,180
Bank and credit card fees	-	-	-	115	-	115	115
Conference and meetings	-	-	-	3,721	13,680	17,401	17,401
Depreciation	1,617	-	1,617	141	263	404	2,021
Dues and memberships	1,908	-	1,908	-	-	-	1,908
Insurance	1,805	-	1,805	158	293	451	2,256
In-kind	-	-	-	1,170	-	1,170	1,170
Office supplies	13,365	668	14,033	501	2,172	2,673	16,706
Printing and copying	6,802	340	7,142	255	1,105	1,360	8,502
Professional fees	800	-	800	425	64,066	64,491	65,291
Program expenses	-	-	-	500	900	1,400	1,400
Occupancy	115,330	5,767	121,097	4,325	18,741	23,066	144,163
Website	11,797	-	11,797	-	-	-	11,797
Scholarships	8,710	-	8,710	-	-	-	8,710
Staff expenses	-	-	-	4,125	-	4,125	4,125
Taxes and licenses	-	-	-	1,656	-	1,656	1,656
Travel	-	-	-	5,903	-	5,903	5,903
Total	<u>\$ 704,511</u>	<u>\$ 33,893</u>	<u>\$ 738,404</u>	<u>\$ 63,301</u>	<u>\$ 191,464</u>	<u>\$ 254,765</u>	<u>\$ 993,169</u>

The accompanying notes are an integral part of these financial statements.

DC FISCAL POLICY INSTITUTE, INC.
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2019

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$	934,143
Depreciation		2,021
Stock donation		(2,926)
Donated equipment		(10,450)
Investment gain, net		(10)
Adjustments to reconcile change in net assets to net cash used for operating activities:		
Increase in assets:		
Grants receivable		(1,235,890)
Prepaid		(7,473)
Deposits		(21,200)
Increase in liabilities:		
Accounts payable		20,653
Accrued expenses		22,278
Net Cash Used for Operating Activities		<u>(298,854)</u>
 NET CHANGE IN CASH		 (298,854)
 CASH, beginning of year		 <u>740,464</u>
 CASH, end of year		 <u><u>\$ 441,610</u></u>

The accompanying notes are an integral part of these financial statements.

DC FISCAL POLICY INSTITUTE, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE A – ORGANIZATION AND NATURE OF ACTIVITIES

DC Fiscal Policy Institute, Inc. (“DCFPI”) is a not-for-profit organization incorporated in the District of Columbia. For the past twenty years DCFPI has operated as a project under a Fiscal Sponsorship Agreement (the “Agreement”) of another non-profit organization. DCFPI was incorporated on October 2, 2018 and got its tax-exempt status in August 2019 with an effective date of October 2, 2018. In 2019, in compliance with the Agreement, the sponsoring organization made a grant to DCFPI of all of the unspent funds that remained with the sponsor and that were designated for this project.

DCFPI’s mission is to promote opportunity and widespread prosperity for all residents of the District of Columbia through thoughtful policy solutions.

Program Descriptions

Policy Solutions: DCFPI influences DC budget and policy decisions to reduce poverty and income inequality and to give residents the opportunity for a secure economic future. DCFPI accomplishes this through research and analysis, advocacy and strategic partnerships with other organizations and individuals.

Outreach: In order to accomplish its mission, DCFPI also furthers ways to make DC public services more effective and to ensure the workings of DC government are open and accountable to the public. This is done through direct engagement with policymakers, legislator employee of a legislative body; or any other government employee who may participate in the formulation of legislation. Sometimes employees also contact legislators in support of or in opposition to legislation. Grassroot lobbying is undertaken to encourage the public to contact legislators about legislation.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements have been prepared using the accrual basis of accounting. Therefore, revenue and related assets are recognized when earned and expenses and related liabilities are recognized as the obligations are incurred.

Financial Statement Presentation

Financial statement presentation follows Financial Standards Accounting Board (“FASB”) Accounting Standards Codification (“ASC”) Topic *Not-for-Profit-Entities*. In accordance with the topic, DCFPI is required to report information regarding its financial position and activities according to two classes of net assets. Accordingly, the net assets of DCFPI and changes therein are classified and reported as follows.

DC FISCAL POLICY INSTITUTE, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019
(continued)

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Financial Statement Presentation (continued)

Net Assets with Donor Restrictions – Net assets subject to donor-imposed stipulations that may or will be met by either action of DCFPI and/or the passage of time, or that must be maintained permanently by DCFPI. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the statement of activities as net assets released from restrictions. Contributions received with donor restrictions that are met in the same reporting period are reported as support without donor restrictions and increase net assets without donor restrictions.

Cash

For financial statement purposes, DCFPI consider demand deposits and money market accounts to be cash. DCFPI maintains its cash in bank deposit accounts which are insured by the Federal Deposit Insurance Corporation up to \$250,000 per institution. At times, the accounts may exceed this limit; however, DCFPI believes it is not exposed to any significant credit risk on cash.

Grants and Account Receivable

Grants receivable are stated at the amount management expects to collect from balances outstanding at year end. Grants and accounts receivable are reported net of the allowance for doubtful accounts, if any. The allowance for doubtful accounts is estimated based on management's ongoing review of historical collection trends, the age of outstanding receivables and existing economic conditions. Past due grants and accounts receivable are written off when internal collection efforts have been unsuccessful in collecting the amount due. As of December 31, 2019, management believes that all receivables are fully collectable within one year or less. Therefore, no allowance for doubtful accounts has been recorded.

Investments

Investments are stated at fair value, based on quoted market prices, if available. Interest income is recognized when earned. Dividends are recorded on the ex-dividend date. Net appreciation (depreciation) in fair value of investments includes the gains and losses on investments donated and sold as well as held during the year. Contributions of securities are recognized at fair value on the date of the contribution. For the year ended December 31, 2019, DCFPI received \$2,936 of donated stock which is included as investments in the statement of financial position.

DC FISCAL POLICY INSTITUTE, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019
(continued)

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Property and Equipment

Property and equipment are stated at cost. Property and equipment with a minimum cost basis of \$500 are capitalized. Donated property and equipment is recognized at donated value. Depreciation is calculated using the straight-line method based on the estimated useful lives of the assets of three to five years. Maintenance and repairs which do not improve or extend the life of the respective asset are charged to expense when incurred.

Revenue Recognition

DCFPI recognizes grants and contributions when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met. Contributions received with donor stipulations are recorded as contributions with donor restrictions based on the donor's intent. Unless otherwise stated by the donor, individual donations are recorded as contributions without donor restrictions. Contributions with donor restrictions are met in the same reporting period as the contribution is received are reported as contributions without donor restrictions support.

Program income is recognized when earned.

In-Kind Contributions

In-kind contributions are recorded at fair market value at the date of donation. Donated services are recognized at their fair value if the service requires specialized skills and the services would typically need to be purchased, if not donated. For the year ended December 31, 2019, DCFPI received donated goods in the amount of \$11,620.

Method Used for Allocation of Expenses For Management and General Activities

The financial statements report certain categories of expense that are attributable to more than one program or a supporting function as management and general activities. Expenses of this nature are allocated on a reasonable basis that is consistently applied. Allocated expenses include occupancy expense, insurance, employee benefits and other general organizational expenses that are allocated among the programs and supporting services benefitted based on estimates of time spent.

DC FISCAL POLICY INSTITUTE, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019
(continued)

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

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 certain estimates and assumptions. These estimates affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates.

NOTE C – INCOME TAXES

DCFPI is recognized as exempt from federal income tax, except on unrelated business activities, under the provisions of Section 501(c)(3) of the Internal Revenue Code.

DCFPI believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements or that would have an effect on its tax-exempt status. There are no unrecognized tax benefits or liabilities that need to be recorded.

DCFPI's information tax returns are subject to examination by the Internal Revenue Service for a period of three years from the date they were filed, except under certain circumstances. This is the first year of DCFPI's formation and therefore the first year that the form 990 will be filed.

NOTE D – AVAILABLE RESOURCES AND LIQUIDITY

DCFPI regularly monitors liquidity required to meet its operating needs and other contractual commitments. DCFPI has various sources of liquidity at its disposal including cash and cash equivalents, grants receivable

In addition to financial assets available to meet general expenditures over the next twelve months, DCFPI strives to operate with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures. Of the total net assets with donor restrictions totaling \$1,235,890, \$1,140,890 were grants that were available for expenditures in the next twelve months.

The following table reflects DCFPI's financial assets as of December 31, 2019, reduced by amounts that are not available to meet general expenditures within one year of the statement of financial position date because of donor-restrictions:

DC FISCAL POLICY INSTITUTE, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019
(continued)

NOTE D – AVAILABLE RESOURCES AND LIQUIDITY - continued

Cash	\$	441,610
Investments		2,936
Grants receivables		1,235,890
Total Financial Assets		1,680,436
Encumbered net assets with donor restrictions for the next one year		(211,886)
Total Financial Assets Available to Meet Cash		
Needs for General Expenditures Within One Year	\$	1,468,550

NOTE E – PENSION PLAN

In 2019, DCFPI established the DC Fiscal Policy Institute 401(K) Plan (the “Plan”), under Section 403(b) of the Internal Revenue Code. All employees who are over the age of eighteen are eligible to contribute to the Plan. Under the provisions of the Plan, employees can elect to contribute immediately upon hire and can defer up to a certain amount of their wages as determined by IRS regulations each year. DCFPI may make a discretionary profit-sharing contribution to the plan. For the year ending December 31, 2019, DCFPI contributed seven percent of each eligible employee’s compensation. The total amount of profit sharing contributions for the year ended December 31, 2019 totaled \$35,378.

NOTE F – OPERATING LEASES

On December 28, 2018, DCFPI signed a two-year sub-lease agreement with the Center on Budget and Policy Properties for sub leasing office space at 1275 First Street, NE, Washington, D.C. starting January 1, 2019 and ending December 31, 2020. The total future payments due for the year ending December 31, 2020, will be \$130,380.

Occupancy expense for the year ended December 31, 2019 totaled \$144,163 and this amount included DCFPI’s share of taxes and common area expenses.

DC FISCAL POLICY INSTITUTE, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019
(continued)

NOTE G - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions as of December 31, 2019, was as follows:

Policy Solutions	\$ 211,886
Time restrictions	1,140,890
Total	<u>\$ 1,352,776</u>

NOTE H – RESTATEMENT

Subsequent to the issuance of the December 31, 2019, financial statements, dated September 24, 2020, a minor error was noted within the auditor’s letter. The auditor’s letter remains unqualified and the statements have been updated to correct that error.

NOTE I – SUBSEQUENT EVENTS

In preparing these financial statements, DC Fiscal Policy Institute, Inc.’s management has evaluated events and transactions for potential recognition or disclosure through October 15, 2020, the date the financial statements were available to be issued. There were no additional events or transactions that were discovered during the evaluation that required additional disclosure or recognition.