

**THE NATIONAL CENTER FOR  
PUBLIC POLICY RESEARCH, INC.**

**FINANCIAL REPORT**

**December 31, 2018**

**THE NATIONAL CENTER FOR PUBLIC POLICY RESEARCH, INC.**

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## Independent Auditors' Report

Board of Directors  
The National Center for Public Policy Research, Inc.  
Washington, DC

We have audited the accompanying financial statements of The National Center for Public Policy Research, Inc. (a not-for-profit organization), which comprise the statements of financial position as of December 31, 2018 and 2017, and the related statements of activities, functional expenses and cash flows for the years 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.

### Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 auditors' 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.

## Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The National Center for Public Policy Research, Inc. as of December 31, 2018 and 2017, 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.

## Other Matter – Effect of Adopting New Accounting Standard

As discussed in Note 2, The National Center for Public Policy Research, Inc. adopted the Financial Accounting Standards Board's Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities*, as of and for the year ended December 31, 2018. The requirements of the ASU have been applied retrospectively to all periods presented. Our opinion is not modified with respect to this matter.

A handwritten signature in black ink that reads "Dembo Jones, P.C." with a period at the end.

*North Bethesda, Maryland  
December 3, 2019*

**THE NATIONAL CENTER FOR PUBLIC POLICY RESEARCH, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**December 31, 2018 and 2017**

	<u>2018</u>	<u>2017</u>
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 755,516	\$ 864,481
Other current assets	3,417	7,517
Contributions receivable	<u>15,000</u>	<u>30,000</u>
Total current assets	<u>773,933</u>	<u>901,998</u>
<b>Investments</b>	<u>392,713</u>	<u>378,709</u>
<b>Property and Equipment, net</b>	<u>3,556</u>	<u>4,950</u>
	<u><u>\$ 1,170,202</u></u>	<u><u>\$ 1,285,657</u></u>
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 30,297	\$ 17,522
Due to fundraisers	<u>96,698</u>	<u>198,945</u>
Total current liabilities	<u>126,995</u>	<u>216,467</u>
Total liabilities	<u>126,995</u>	<u>216,467</u>
<b>Net Assets</b>		
Without donor restrictions	978,207	1,004,190
With donor restrictions	<u>65,000</u>	<u>65,000</u>
Total net assets	<u>1,043,207</u>	<u>1,069,190</u>
	<u><u>\$ 1,170,202</u></u>	<u><u>\$ 1,285,657</u></u>

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

**THE NATIONAL CENTER FOR PUBLIC POLICY RESEARCH, INC.**  
**STATEMENT OF ACTIVITIES**  
**Year Ended December 31, 2018**

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>Revenue, support and other changes</b>			
Foundation and corporation support	\$ 110,000	\$ 190,000	\$ 300,000
Public support	4,707,790	-	4,707,790
Investment income - net	(10,440)	-	(10,440)
Net assets released from restrictions:			
Satisfaction of program restrictions	<u>190,000</u>	<u>(190,000)</u>	<u>-</u>
Total revenue, support and other changes	<u>4,997,350</u>	<u>-</u>	<u>4,997,350</u>
<b>Expenses</b>			
Program services			
Project 21	226,020	-	226,020
General program	2,475,985	-	2,475,985
Environment and regulatory issues	62,558	-	62,558
Free enterprise	338,495	-	338,495
Health care	<u>26,771</u>	<u>-</u>	<u>26,771</u>
	<u>3,129,829</u>	<u>-</u>	<u>3,129,829</u>
Supporting services			
Management and general	368,957	-	368,957
Fundraising	<u>1,524,547</u>	<u>-</u>	<u>1,524,547</u>
	<u>1,893,504</u>	<u>-</u>	<u>1,893,504</u>
Total expenses	<u>5,023,333</u>	<u>-</u>	<u>5,023,333</u>
<b>Change in net assets</b>	(25,983)	-	(25,983)
<b>Net assets - beginning of year</b>	<u>1,004,190</u>	<u>65,000</u>	<u>1,069,190</u>
<b>Net assets - end of year</b>	<u>\$ 978,207</u>	<u>\$ 65,000</u>	<u>\$ 1,043,207</u>

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

**THE NATIONAL CENTER FOR PUBLIC POLICY RESEARCH, INC.**  
**STATEMENT OF ACTIVITIES**  
**Year Ended December 31, 2017**

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>Revenue, support and other changes</b>			
Foundation and corporation support	\$ 326,000	\$ 145,000	\$ 471,000
Public support	4,226,103	-	4,226,103
Investment income - net	48,904	-	48,904
Net assets released from restrictions:			
Satisfaction of program restrictions	<u>145,000</u>	<u>(145,000)</u>	<u>-</u>
Total revenue, support and other changes	<u>4,746,007</u>	<u>-</u>	<u>4,746,007</u>
<b>Expenses</b>			
Program services			
Project 21	179,672	-	179,672
General program	2,388,693	-	2,388,693
Environment and regulatory issues	144,101	-	144,101
Free enterprise	297,537	-	297,537
Health care	<u>234,574</u>	<u>-</u>	<u>234,574</u>
	<u>3,244,577</u>	<u>-</u>	<u>3,244,577</u>
Supporting services			
Management and general	449,869	-	449,869
Fundraising	<u>1,134,911</u>	<u>-</u>	<u>1,134,911</u>
	<u>1,584,779</u>	<u>-</u>	<u>1,584,779</u>
Total expenses	<u>4,829,356</u>	<u>-</u>	<u>4,829,356</u>
<b>Change in net assets</b>	(83,349)	-	(83,349)
<b>Net assets - beginning of year</b>	<u>1,087,540</u>	<u>65,000</u>	<u>1,152,540</u>
<b>Net assets - end of year</b>	<u>\$ 1,004,190</u>	<u>\$ 65,000</u>	<u>\$ 1,069,190</u>

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

**THE NATIONAL CENTER FOR PUBLIC POLICY RESEARCH, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**Year Ended December 31, 2018**

	Program Services					Supporting Services				Total 2018
	Project 21	General Program	Environment and Regulatory Issues	Free Enterprise	Health Care	Total Program Services	Management and General	Fundraising	Total Supporting Services	
Accounting	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 34,420	\$ -	\$ 34,420	\$ 34,420
Bank service charges	-	-	-	-	-	-	3,081	-	3,081	3,081
Clip services	2,723	249	607	4,246	375	8,200	-	-	-	8,200
Consulting	43,963	-	21,962	11,657	1,723	79,304	4,761	2,378	7,139	86,443
Depreciation and amortization	291	27	65	454	40	877	222	295	517	1,394
Direct mail cost - outside	-	2,391,107	-	-	-	2,391,107	174,109	1,329,735	1,503,844	3,894,951
Direct mail cost - in house	-	65,082	-	-	-	65,082	-	13,576	13,576	78,659
Dues	238	22	53	371	33	717	-	-	-	717
Gifts	-	-	-	-	-	-	152	-	152	152
Insurance-employee benefits	7,830	716	1,746	12,210	1,077	23,579	5,975	7,938	13,913	37,492
Insurance-Office	975	89	217	1,520	134	2,936	744	988	1,732	4,668
Internet	4,722	432	1,053	7,364	650	14,220	3,604	4,787	8,391	22,611
Legal	-	-	-	-	-	-	17,799	-	17,799	17,799
Meals and entertainment	370	34	83	577	51	1,115	283	375	658	1,773
Meeting and conferences	312	28	69	486	43	938	238	316	554	1,492
Office supplies	478	44	107	746	66	1,440	365	485	850	2,289
Outside services	1,872	171	417	9,820	258	12,538	1,429	1,898	3,327	15,865
Parking	1,245	114	278	1,941	171	3,748	950	1,262	2,211	5,959
Payroll Allocation	147,580	13,494	32,908	230,142	20,305	444,430	112,622	149,615	262,237	706,667
Payroll services	974	89	217	1,518	134	2,932	743	987	1,730	4,662
Payroll taxes	8,024	734	1,789	12,513	1,104	24,164	6,123	8,135	14,258	38,422
Public relations	-	3,150	-	-	-	3,150	-	-	-	3,150
Rent office	1,048	96	234	1,634	144	3,155	799	1,062	1,861	5,016
Repairs	176	16	39	275	24	531	135	179	314	845
Research	103	9	23	161	14	311	-	-	-	311
Salary	-	-	-	-	-	-	-	-	-	-
Shipping	502	46	112	783	69	1,513	383	509	893	2,406
Storage costs	2,567	235	572	4,003	353	7,731	-	-	-	7,731
Travel and sustenance	-	-	-	36,032	-	36,032	-	-	-	36,032
Telephone	26	2	6	41	4	80	20	27	47	127
	<u>\$ 226,020</u>	<u>\$ 2,475,985</u>	<u>\$ 62,558</u>	<u>\$ 338,495</u>	<u>\$ 26,771</u>	<u>\$ 3,129,829</u>	<u>\$ 368,957</u>	<u>\$ 1,524,547</u>	<u>\$ 1,893,504</u>	<u>\$ 5,023,333</u>

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



**THE NATIONAL CENTER FOR PUBLIC POLICY RESEARCH, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**Year Ended December 31, 2017**

	Program Services					Supporting Services				Total 2017
	Project 21	General Program	Environment and Regulatory Issues	Free Enterprise	Health Care	Total Program Services	Management and General	Fundraising	Total Supporting Services	
Accounting	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 60,679	\$ -	\$ 60,679	\$ 60,679
Bank service charges	-	-	-	-	-	-	3,258	-	3,258	3,258
Clip services	2,151	944	1,657	4,010	3,184	11,947	-	-	-	11,947
Consulting	23,904	619	24,114	7,171	4,041	59,849	7,875	-	7,875	67,724
Depreciation and amortization	165	73	127	308	245	919	198	124	322	1,241
Direct mail cost - outside	-	2,271,426	-	-	-	2,271,426	164,527	980,957	1,145,484	3,416,911
Direct mail cost - in house	-	48,285	-	-	-	48,285	-	8,599	8,599	56,884
Dues	30	13	23	55	44	165	-	-	-	165
Insurance	6,618	2,904	5,098	12,336	9,794	36,751	7,909	4,979	12,888	49,639
Internet	3,695	1,622	2,846	6,888	5,469	20,520	4,416	2,780	7,196	27,716
Legal	-	-	-	-	-	-	31,529	-	31,529	31,529
Meals and entertainment	166	73	128	309	246	922	198	125	323	1,245
Meeting and conferences	164	72	126	305	242	909	196	123	319	1,228
Office supplies	235	103	181	438	348	1,304	281	177	457	1,762
Outside services	4,513	1,981	3,477	8,413	6,680	25,064	5,394	3,395	8,789	33,853
Parking	787	345	606	1,467	1,165	4,371	941	592	1,533	5,904
Payroll services	59	26	46	110	88	329	71	45	115	444
Payroll taxes	6,952	3,051	5,355	12,959	10,289	38,606	8,309	5,230	13,539	52,145
Payroll processing fee	584	256	450	1,088	864	3,242	698	439	1,137	4,379
Public relations	-	-	-	-	-	-	-	3,150	3,150	3,150
Rent office	728	320	561	1,358	1,078	4,045	870	548	1,418	5,463
Salary	127,388	55,907	98,125	237,462	188,530	707,413	152,247	95,831	248,078	955,490
Shipping	213	93	164	396	315	1,181	254	160	414	1,595
Storage costs	1,303	572	1,004	2,429	1,928	7,236	-	-	-	7,236
Travel and sustenance	-	-	-	-	-	-	-	27,645	27,645	27,645
Telephone	17	7	13	31	25	94	20	13	33	127
	<u>\$ 179,672</u>	<u>\$ 2,388,693</u>	<u>\$ 144,101</u>	<u>\$ 297,537</u>	<u>\$ 234,574</u>	<u>\$ 3,244,577</u>	<u>\$ 449,869</u>	<u>\$ 1,134,911</u>	<u>\$ 1,584,779</u>	<u>\$ 4,829,356</u>

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

**THE NATIONAL CENTER FOR PUBLIC POLICY RESEARCH, INC.**  
**STATEMENTS OF CASH FLOWS**  
**Years Ended December 31, 2018 and 2017**

	2018	2017
<b>Cash flows from operating activities</b>		
Change in net assets	\$ (25,983)	\$ (83,349)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	1,394	1,241
Net realized and unrealized (gain) loss on investments	21,905	(40,736)
(Increase) decrease in assets:		-
Contributions receivable	15,000	75,000
Grants receivable	-	-
Other current assets	4,100	(7,517)
Increase (decrease) in liabilities:		
Accounts payable	12,775	(25,370)
Accrued expenses	-	-
Due to fundraisers	(102,247)	71,750
Net cash used in operating activities	(73,055)	(8,981)
<b>Cash flows from investing activities</b>		
Purchase of investments	(98,732)	(91,508)
Purchase of property and equipment	-	(5,471)
Proceeds from sale of investments	62,822	22,485
Proceeds from sale of equipment	-	480
Net cash used in investing activities	(35,910)	(74,013)
<b>Net decrease in cash and cash equivalents</b>	(108,965)	(82,994)
<b>Cash and cash equivalents - beginning of year</b>	864,481	947,475
<b>Cash and cash equivalents - end of year</b>	\$ 755,516	\$ 864,481

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

**THE NATIONAL CENTER FOR PUBLIC POLICY RESEARCH, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2018 and 2017**

**Note 1. Organization and Nature of Activities**

The National Center for Public Policy Research, Inc. (the Center) is a not-for-profit, tax-exempt corporation headquartered in Washington, D.C. The Center is operated exclusively for educational purposes and provides analysis, study, and research on topical issues affecting public policies. Its programs include identifying ways to develop and protect the environment in such a manner that does not harm communities and the economy, working with black Americans on solutions to problems facing minority communities, and educating the public on issues of public concern including United States and foreign policy, tax and budget policy, and legal reform strategy. It publishes national policy analysis papers, press releases, editorials and participates in talk radio interviews.

**Note 2. Summary of Significant Accounting Policies**

***Basis of Presentation***

The Center is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. Net assets without donor restrictions represent the expendable net assets that are available for support of the Center. Net assets with donor restrictions are subject to donor-imposed stipulations that may or will be met by actions of the Center and/or the passage of time and those that are subject to donor-imposed stipulations that the Center maintain them permanently.

***Recent Accounting Pronouncements Adopted***

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958) - Presentation of Financial Statements of Not-for-Profit Entities*. The ASU amends the current reporting model for nonprofit organizations and enhances their required disclosures. The major changes include: (a) requiring the presentation of only two classes of net assets now entitled “net assets without donor restrictions” and “net assets with donor restrictions”, (b) modifying the presentation of underwater endowment funds and related disclosures, (c) requiring the use of the placed in service approach to recognize the expirations of restrictions on gifts used to acquire or construct long-lived assets absent explicit donor stipulations otherwise, (d) requiring that all nonprofits present an analysis of expenses by function and nature in either the statement of activities, a separate statement, or in the notes and disclose a summary of the allocation methods used to allocate costs, (e) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources, (f) presenting investment return net of external and direct internal investment expenses, and (g) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of nonprofit financial statements. The Center has adopted this ASU as of and for the year ended December 31, 2018 with retrospective application for the 2017 financial statements. The adoption of this ASU had no effect on net assets or the change in net assets presented for the years ended December 31, 2018 and 2017. The Center opted to not disclose liquidity and availability information for 2017 as permitted under the ASU in the year of adoption.

**THE NATIONAL CENTER FOR PUBLIC POLICY RESEARCH, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2018 and 2017**

**Note 2. Summary of Significant Accounting Policies (continued)**

***Revenue Recognition***

Public support is recorded as revenue when contributions, which include unconditional promises to give (pledges), are received. Foundation and corporate grants are recorded as revenue when awarded.

***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 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.

***Cash and Cash Equivalents***

For purposes of the statement of cash flows, the Center considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

***Contributions Receivable***

Contributions receivable are reported at their outstanding balances, reduced by an allowance for doubtful accounts, if any. Management periodically evaluates the adequacy of the allowance for doubtful accounts by considering the Center's past receivables loss experience, known and inherent risks in the accounts receivable population, adverse situations that may affect a debtor's ability to pay, and current economic conditions. Management has determined that no allowance was necessary at December 31, 2018 and 2017. All contributions are receivable in less than one year.

***Investments***

Investments are recorded at fair value. Realized gains and losses are recognized upon sale or disposal. Interest and dividend income is recorded on the accrual basis. Unrealized gains and losses are included in the statements of activities.

**THE NATIONAL CENTER FOR PUBLIC POLICY RESEARCH, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2018 and 2017**

**Note 2. Summary of Significant Accounting Policies (continued)**

*Concentration of Credit Risk*

Financial instruments that potentially subject the Center to concentration of credit risk consist of cash accounts. As of December 31, 2018, the Center had deposits in excess of the amount insured by the Federal Deposit Insurance Corporation (FDIC). The Center places its cash accounts with high quality financial institutions. The Center has not experienced losses in such accounts and management believes it is not exposed to any significant credit risk on cash and cash equivalents.

*Functional Allocation of Expenses*

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain general and administrative costs have been allocated among the programs and supporting services benefited. Management's indirect allocation of costs is based on an estimate of how direct labor is incurred, unless the cost is specifically identified with a program. Joint costs of informational materials that include a fundraising appeal have been allocated between fundraising and public education based on content of mailings.

*Property and Equipment*

Acquisitions of property and equipment are recorded at cost. Maintenance and repairs that do not improve or extend the lives of property and equipment are charged to expense as incurred. When assets are sold or retired, their cost and related accumulated depreciation are removed from the accounts and any gain or loss is reported in the statements of activities. Depreciation is provided over the estimated useful life of each class of depreciable assets and is computed using the straight-line method. The furniture and equipment is depreciated over 5 to 7 years, and software is amortized over 3 years. The Center's policy is to capitalize property and equipment purchased with a cost greater than \$500.

*Subsequent Events*

In preparing these financial statements, the Center has evaluated events and transactions for potential recognition or disclosure through December 3, 2019, the date the financial statements were available to be issued.

**THE NATIONAL CENTER FOR PUBLIC POLICY RESEARCH, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2018 and 2017**

**Note 3. Net Assets with Donor Restrictions**

Net assets with donor restrictions as of December 31, 2018 and 2017, were subject to purpose restrictions as follows:

	2018	2017
Purpose restricted		
Program support	\$ 65,000	\$ 65,000

Net assets released from restriction during 2018 and 2017, of \$ 190,000 and \$ 145,000, respectively, related to the satisfaction of program restrictions.

**Note 4. Income Taxes**

The Center is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code except income taxes at regular corporation income tax rates are required on profit resulting from unrelated business income as defined by the Internal Revenue Code. In addition, the Society has been determined by the IRS not to be a “private foundation” within the meaning of Section 509(a) of the Internal Revenue Code. There was no unrelated business income tax expense for the years ended December 31, 2018 and 2017.

Accounting principles generally accepted in the United States of America require the Center to evaluate tax positions taken and recognize a tax liability if it is more likely than not that uncertain tax positions taken would not be sustained upon examination by taxing authorities. The Center has analyzed tax positions taken and has concluded that, as of December 31, 2018 and 2017, there are no uncertain tax positions taken or expected to be taken that would require recognition of a liability or disclosure in the financial statements. The Center is subject to routine audits by taxing jurisdictions, however, there are currently no audits for any tax periods in progress. Generally, the Center’s tax returns remain open for three years for federal and state examination.

**Note 5. Fair Value Measurements**

Financial Accounting Standards Board (FASB) provides a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described below:

***Level 1***

Inputs to the valuation methodology are unadjusted quoted market prices for identical assets or liabilities in active markets that the Center has the ability to access.

**THE NATIONAL CENTER FOR PUBLIC POLICY RESEARCH, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2018 and 2017**

**Note 5. Fair Value Measurements (continued)**

*Level 2*

Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

*Level 3*

Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2018 and 2017.

*Mutual funds:* Valued at quoted market values of shares held by the Center at year-end.

*Common stock:* Valued at quoted market values of shares held by the Center at year-end.

*Money Market Funds:* Valued at the daily closing price as reported by the fund. Money market funds are open-ended money market funds and are registered with the SEC. These funds are required to publish their daily net asset value (NAV). These funds generally transact at a \$ 1.00 stable NAV. However, on a daily basis the fund's NAV is calculated using the amortized cost (not market value) of the securities held in the fund.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Center believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

**THE NATIONAL CENTER FOR PUBLIC POLICY RESEARCH, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2018 and 2017**

**Note 5. Fair Value Measurements (continued)**

The following sets forth by level, within the fair value hierarchy, the Center's assets at fair value on a recurring basis as of December 31, 2018 and 2017:

**Assets at Fair Value as of December 31, 2018**

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Common stock	\$ 328,124	\$ -	\$ -	\$ 328,124
Money market fund	-	13,367	-	13,367
Mutual funds:				
Equity funds				
Large-cap growth	3,560	-	-	3,560
Large-cap value	3,416	-	-	3,416
Mid-cap growth	11,109	-	-	11,109
Real estate	391	-	-	391
International	4,996	-	-	4,996
Fixed income funds				
Government securities	5,447	-	-	5,447
Intermediate	7,536	-	-	7,536
International	2,154	-	-	2,154
Strategic	12,613	-	-	12,613
	<u>\$ 379,346</u>	<u>\$ 13,367</u>	<u>\$ -</u>	<u>\$ 392,713</u>

**Assets at Fair Value as of December 31, 2017**

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Common stock	\$ 320,268	\$ -	\$ -	\$ 320,268
Money market fund	-	4,508	-	4,508
Mutual funds:				
Equity funds				
Large-cap growth	4,203	-	-	4,203
Large-cap value	4,142	-	-	4,142
Mid-cap growth	11,535	-	-	11,535
Real estate	615	-	-	615
International	6,528	-	-	6,528
Fixed income funds				
Government securities	5,182	-	-	5,182
Intermediate	7,347	-	-	7,347
International	2,125	-	-	2,125
Strategic	12,256	-	-	12,256
	<u>\$ 374,201</u>	<u>\$ 4,508</u>	<u>\$ -</u>	<u>\$ 378,709</u>



**THE NATIONAL CENTER FOR PUBLIC POLICY RESEARCH, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2018 and 2017**

**Note 5. Fair Value Measurements (continued)**

Investments held by the Center at December 31, 2018 and 2017 consisted of the following:

	2018		2017	
	Cost	Fair Value	Cost	Fair Value
Common stock	\$ 271,635	\$ 328,124	\$ 216,749	\$ 320,268
Money market fund	13,367	13,367	4,508	4,508
Mutual funds				
Equity funds	18,794	23,472	17,533	27,023
Fixed income funds	<u>29,337</u>	<u>27,750</u>	<u>27,286</u>	<u>26,910</u>
	<u>\$ 333,133</u>	<u>\$ 392,713</u>	<u>\$ 266,076</u>	<u>\$ 378,709</u>

**Note 6. Outside Fundraising**

The Center has a contract with Response Dynamics, Inc. (RDI) which is for one year and is renegotiated annually. RDI is compensated at a rate of \$50.00 per one thousand fundraising requests posted. Fundraising support is held in escrow by an independent agent and used to pay obligations in the following order: (1) expenses advanced by RDI; (2) postage; (3) fees of RDI; (4) fees to affiliated companies of RDI; (5) fees to third party vendors; and (6) to the Center. The Center's allocation is a fixed monthly amount based upon the contract agreement as modified for each year. The Center's allocation was \$ 40,000 per month for 2018 and 2017. Upon termination of the agreement, RDI shall be permitted to continue to make mailings for a period of up to one year from which all proceeds are paid to RDI and from which all outstanding invoices due to RDI and its affiliates would be deemed to be satisfied. Balances remaining in the escrow account at the end of any accounting period are considered cash of the Center but due to RDI as excess collections must be retained. As of December 31, 2018 and 2017, the amount due to RDI's affiliates was \$ 96,698 and \$ 198,945, respectively.

**Note 7. Allocation of Joint Costs**

The Center incurs joint costs from its direct mail program for informational materials and activities that included fundraising appeals. These joint costs have been allocated to the general program, management and general, and fundraising expense by the Center's management based on the program content of the mailings.

The costs were allocated as follows for 2018:

General program	\$ 2,456,189	62%
Management and general	174,109	4%
Fundraising	<u>1,343,311</u>	<u>34%</u>
Total allocated joint costs	<u>\$ 3,973,609</u>	<u>100%</u>

**THE NATIONAL CENTER FOR PUBLIC POLICY RESEARCH, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2018 and 2017**

**Note 7. Allocation of Joint Costs (continued)**

The costs were allocated as follows for 2017:

General program	\$ 2,319,711	67%
Management and general	164,527	5%
Fundraising	<u>989,556</u>	<u>28%</u>
Total allocated joint costs	<u>\$ 3,473,794</u>	<u>100%</u>

**Note 8. Property and Equipment**

Property and equipment consisted of the following for:

	<u>2018</u>	<u>2017</u>
Furniture and equipment	\$ 54,440	\$ 54,440
Less – accumulated depreciation	<u>50,884</u>	<u>49,490</u>
	<u>\$ 3,556</u>	<u>\$ 4,950</u>

**Note 9. Liquidity and Availability**

As of December 31, 2018, the following financial assets could readily be made available within one year of the statement of financial position date to meet general expenditures:

Cash and cash equivalents	\$ 755,516
Contributions receivable	15,000
Investments	<u>392,713</u>
Total financial assets	<u>1,163,229</u>
Less:	
Net assets with donor restrictions	<u>65,000</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,098,229</u>

**Note 10. Risks and Uncertainties**

The Center invests in various investment securities. Investment securities are exposed to various risks, such as interest rate, credit and overall market volatility risks. Due to the level of risk associated with certain securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and such changes could materially affect the Center's account balances and amounts reported in the statements of financial position.