

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

**Financial Statements for the Year Ended December 31, 2019
and Independent Auditors' Report dated November 4, 2020**

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The National Center for Public Policy Research, Inc.

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Jennifer S. Burke, CPA PLLC

Independent Auditors' Report

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

We have audited the accompanying financial statements of the National Center for Public Policy Research, Inc. which comprise the statement of financial position as of December 31, 2019, and the related statements of activities and changes in net assets, 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 of 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.

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, 2019, and changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.



Jennifer S. Burke CPA PLLC

Warrenton, Virginia

November 4, 2020

THE NATIONAL CENTER FOR PUBLIC POLICY RESEARCH, INC.

Statement of Financial Position

As of December 31, 2019

ASSETS

Current Assets

Cash	\$	880,269
Contributions Receivable		20,830
Prepaid Expenses		<u>3,417</u>
Total Current Assets		904,516

Investments		512,754
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Fixed Assets

Office Furniture and Equipment		55,886
Accumulated Depreciation		<u>(52,471)</u>
Total Fixed Assets		3,415

TOTAL ASSETS		<u><u>1,420,685</u></u>
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LIABILITIES AND NET ASSETS

Current Liabilities

Accounts Payable		37,969
Accrued Liabilities		6,176
Due to Fundraisers		<u>121,262</u>
Total Current Liabilities		165,407

Net Assets

Net assets without Donor Restrictions		1,105,234
Net assets with Donor Restrictions		<u>150,044</u>
Total Net Assets		<u><u>1,255,278</u></u>

TOTAL LIABILITIES AND NET ASSETS	\$	<u><u>1,420,685</u></u>
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See the accompanying Independent Auditors' Report and notes to the financial statements

THE NATIONAL CENTER FOR PUBLIC POLICY RESEARCH, INC.**Statement of Activities and Changes in Net Assets****For the Year Ended December 31, 2019**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
SUPPORT AND REVENUE			
Public Support	\$ 4,235,538	\$ 142,159	\$ 4,377,697
Foundation Support	184,147	395,000	579,147
Investment Income, net	94,081	-	94,081
Corporate Support	-	5,000	5,000
Released from Restriction	457,115	(457,115)	-
Total Support and Revenue	4,970,881	85,044	5,055,925
EXPENSES			
Program Services			
General Program	2,332,630	-	2,332,630
Free Enterprise	379,952	-	379,952
Project 21	204,370	-	204,370
Environment and Regulatory Issues	104,473	-	104,473
Health Care	2,396	-	2,396
Total Program Services	3,023,821	-	3,023,821
Supporting Services			
General and Administrative	280,248	-	280,248
Fundraising	1,539,785	-	1,539,785
Total Supporting Services	1,820,033	-	1,820,033
Total Expenses	4,843,854	-	4,843,854
CHANGE IN NET ASSETS	127,027	85,044	212,071
Net Assets, Beginning of Year	978,207	65,000	1,043,207
Net Assets, End of Year	<u>\$ 1,105,234</u>	<u>\$ 150,044</u>	<u>\$ 1,255,278</u>

See the accompanying Independent Auditors' Report and notes to the financial statements

THE NATIONAL CENTER FOR PUBLIC POLICY RESEARCH, INC.

**Statement of Functional Expenses
For the Year Ended December 31, 2019**

	General Program	Free Enterprise	Project 21	Environment and Regulatory Issues	Health Care	Total Programs	General and Administrative	Fundraising	Total Supporting Services	Total
Direct Mail Costs - Outside Fundraiser	\$ 2,233,652	\$ -	\$ -	\$ -	\$ -	\$ 2,233,652	\$ 145,611	\$ 1,194,203	\$ 1,339,814	\$ 3,573,466
Salaries	38,661	280,643	144,093	68,636	-	532,033	63,448	175,875	239,323	771,356
Direct Mail Costs - In-House	-	-	-	-	-	-	-	129,643	129,643	129,643
Consulting	1,126	13,021	26,602	19,797	2,396	62,942	2,553	4,884	7,437	70,379
Travel and Sustenance	50,154	-	-	-	-	50,154	-	-	-	50,154
Insurance	2,253	16,355	8,397	4,000	-	31,005	3,697	10,249	13,946	44,951
Payroll Taxes	2,205	16,005	8,218	3,914	-	30,342	3,618	10,030	13,648	43,990
Accounting	-	-	-	-	-	-	35,890	-	35,890	35,890
Outside Services	326	23,066	1,215	579	-	25,186	535	1,483	2,018	27,204
Internet	1,012	7,349	3,773	1,797	-	13,931	1,661	4,606	6,267	20,198
Legal	-	-	-	-	-	-	17,501	-	17,501	17,501
Storage Costs	625	4,536	2,329	1,109	-	8,599	-	-	-	8,599
Clip Service	596	4,325	2,221	1,058	-	8,200	-	-	-	8,200
Meals and Entertainment	358	2,601	1,335	636	-	4,930	588	1,630	2,218	7,148
Parking	325	2,360	1,212	577	-	4,474	534	1,479	2,013	6,487
Office Supplies	322	2,335	1,199	571	-	4,427	528	1,463	1,991	6,418
Rent	277	2,014	1,034	492	-	3,817	455	1,262	1,717	5,534
Payroll Processing Fees	221	1,602	822	392	-	3,037	362	1,004	1,366	4,403
Meetings and Conferences	220	1,594	818	390	-	3,022	360	999	1,359	4,381
Bank Service Charges	-	-	-	-	-	-	2,470	-	2,470	2,470
Shipping	121	877	450	215	-	1,663	198	550	748	2,411
Depreciation	80	577	296	141	-	1,094	131	362	493	1,587
Research	46	332	171	81	-	630	-	-	-	630
Dues and Memberships	36	259	133	63	-	491	-	-	-	491
Telephone	10	69	36	17	-	132	16	43	59	191
Interest	4	32	16	8	-	60	7	20	27	87
Gifts	-	-	-	-	-	-	85	-	85	85
Total	\$ 2,332,630	\$ 379,952	\$ 204,370	\$ 104,473	\$ 2,396	\$ 3,023,821	\$ 280,248	\$ 1,539,785	\$ 1,820,033	\$ 4,843,854

See the accompanying Independent Auditors' Report and notes to the financial statements

THE NATIONAL CENTER FOR PUBLIC POLICY RESEARCH, INC.

Statement of Cash Flows
For the Year Ended December 31, 2019

	<u>2019</u>
OPERATING ACTIVITIES	
Change in Net Assets	\$ 212,071
Adjustment to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	1,587
Net (Gains)/Losses on Investments	(82,487)
Stock Donations	(15,076)
(Increase)/Decrease in:	
Contributions Receivable	(5,830)
Increase/(Decrease) in:	
Accounts Payable	7,673
Accrued Liabilities	6,176
Due to Fundraisers	<u>24,564</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	148,678
INVESTING ACTIVITIES	
Purchase of Investments	(22,479)
Purchase of Office Equipment	<u>(1,446)</u>
NET CASH USED BY INVESTING ACTIVITIES	(23,925)
FINANCING ACTIVITIES	<u>-</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	124,753
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>755,516</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 880,269</u></u>

See the accompanying Independent Auditors' Report and notes to the financial statements

The National Center for Public Policy Research, Inc.
Notes to the Financial Statements
For the Year ended December 31, 2019

NOTE 1: CENTER 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: SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation: The financial statements of the Center have been prepared on the accrual method of accounting.

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 the 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.

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.

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

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 contributions receivable population, adverse situations that may affect a donor's ability to pay, and current economic conditions. Management has determined that no allowance was necessary at December 31, 2019. All contributions are receivable in less than one year.

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 statement of activities. Depreciation is provided over the estimated useful life of each class of depreciable

The National Center for Public Policy Research, Inc.
Notes to the Financial Statements
For the Year ended December 31, 2019

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

assets and is computed using the straight-line method. The furniture and equipment are 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.

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. All contributions with time or donor-imposed restrictions are recognized as revenue with donor restrictions that increases that net asset class. When temporary restrictions are met, the contributions are transferred to revenue without donor restrictions.

Functional Allocation of Expenses: The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain 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.

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.

Concentration of Credit Risk: Financial instruments that potentially subject the Center to concentration of credit risk consist of cash accounts. As of December 31, 2019, 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.

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 Center 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 year ended December 31, 2019.

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

The National Center for Public Policy Research, Inc.
Notes to the Financial Statements
For the Year ended December 31, 2019

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

has analyzed tax positions taken and has concluded that, as of December 31, 2019, 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.

Recently Adopted Accounting Standards – Financial Instruments - In January 2016, the FASB issued ASU 2016-01, *Financial Instruments – Overall (Subtopic 825-10: Recognition and Measurement of Financial Assets and Financial Liabilities)*, and subsequently issued related ASU 2018-03, *Technical Corrections and Improvements to Financial Instruments—Overall (Subtopic 825-10)*. These standards amend certain aspects of accounting and disclosure requirements for financial instruments, including the requirement that equity investments with readily determinable fair values are to be measured at fair value with any changes in fair value recognized in the statement of changes in net assets.

NOTE 3: LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Center has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. As of December 31, 2019, the following financial assets could readily be made available within one year to meet general expenditures:

Financial Assets at year-end:	
Cash and Cash Equivalents	\$ 880,269
Contributions Receivable	20,830
Investments	<u>512,754</u>
Total Financial Assets	1,413,853

Assets limited to use:	
Donor Restricted	<u>\$ (150,044)</u>
Total Assets limited to use	<u>(150,044)</u>

Financial Assets available to meet cash needs for general expenditures within one year:	<u><u>\$ 1,263,809</u></u>
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The National Center for Public Policy Research, Inc.
Notes to the Financial Statements
For the Year ended December 31, 2019

NOTE 4: INVESTMENTS

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.

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 in active 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, 2019.

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 \$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

The National Center for Public Policy Research, Inc.
Notes to the Financial Statements
For the Year ended December 31, 2019

NOTE 4: INVESTMENTS, CONTINUED

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 following sets forth by level, within the fair value hierarchy, the Center's assets at fair value as of December 31, 2019:

	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Money Market Funds	\$ -	\$ 1,756	\$ 1,756
Cash	4,021	-	4,021
Common Stock	447,561	-	447,561
Mutual Funds:			
Equity Funds:			
AB Discovery Growth	9,940	-	9,940
Large-cap Growth	3,149	-	3,149
Large-cap Value	3,009	-	3,009
Small/Med Growth	1,178	-	1,178
Small/Med Value	1,219	-	1,219
Interntl Emerging Markets	1,657	-	1,657
Real Estate	473	-	473
International	4,460	-	4,460
Primecap Fund	4,459	-	4,459
Fixed income funds:			
Global	2,303	-	2,303
High Yield	2,404	-	2,404
Intermediate	5,864	-	5,864
Mortgage Backed Sec	5,804	-	5,804
Strategic	13,497	-	13,497
Total Investments	<u>\$ 510,998</u>	<u>\$ 1,756</u>	<u>\$ 512,754</u>

Investment income is reported net of related external and direct internal investment expenses in the statement of activities. Investment income consisted of the following for the year ended December 31, 2019:

Interest and Dividends	\$ 11,594
Realized Gains / (Losses)	17,391
Unrealized Gains / (Losses)	65,957
Net of Investment Expenses	<u>(861)</u>
Total	\$ 94,081

The National Center for Public Policy Research, Inc.
Notes to the Financial Statements
For the Year ended December 31, 2019

NOTE 5: NET ASSETS

Net Assets consisted of the following as of December 31, 2019:

<u>Net Assets without Donor Restrictions:</u>	
Unrestricted, Undesignated Net Assets	\$ 1,105,234
Total Net Assets without Donor Restrictions	1,105,234
 <u>Net Assets with Donor Restrictions:</u>	
Program Support	\$ 85,044
Time Restriction	65,000
Total Net Assets with Donor Restrictions	150,044
 Total Net Assets	 <u>\$ 1,255,278</u>

Net assets released from restriction during 2019 totaled \$457,115, of this amount \$392,115 was related to the satisfaction of program restrictions and \$65,000 was the release of time restrictions.

NOTE 6: JOINT COSTS OF ACTIVITIES THAT INCLUDE FUNDRAISING

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 2019:

Program	\$ 2,233,652	63%
Management and General	145,611	4%
Fundraising	1,194,203	33%
Total Costs	<u>\$ 3,573,466</u>	<u>100%</u>

NOTE 7: 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 statement of financial position.

The National Center for Public Policy Research, Inc.
Notes to the Financial Statements
For the Year ended December 31, 2019

NOTE 8: 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 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 2019. 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, 2019, the amount due to RDI's affiliates was \$121,262.

NOTE 9: SUBSEQUENT EVENTS

In preparing these financial statements, the Center has evaluated events and transactions that occurred after the statement of financial position date for potential recognition and disclosure through November 4, 2020, the date on which the financial statements were available to be issued.

The COVID-19 outbreak in the United States has caused business disruption through mandated and voluntary closing of business across the country for non-essential services. While the disruption is currently expected to be temporary, there is considerable uncertainty about the durations of closings. The Center has been able to continue most of its operations in a remote environment, however, at this point, the extent to which COVID-19 may impact the Center's financial condition or results of operations cannot be predicted.