THE NATIONAL CENTER FOR PUBLIC POLICY RESEARCH, INC.

Financial Statements for the Year Ended December 31, 2021
and Independent Auditors' Report dated November 2, 2022

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The National Center for Public Policy Research, Inc.

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Jennifer S. Burke, CPA PLLC

INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the accompanying financial statements of National Center for Public Policy Research, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of National Center for Public Policy Research, Inc. as of December 31, 2021, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 National Center for Public Policy Research, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. 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 National Center for Public Policy Research, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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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 generally accepted auditing standards 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, including omissions, 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 generally accepted auditing standards, 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 National Center for Public Policy Research, Inc.'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 National Center for Public Policy Research, Inc.'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.

Jennifer S Burke CPA PLLC

Jennifer S. Burke CPA PLLC
Warrenton, Virginia
November 2, 2022

THE NATIONAL CENTER FOR PUBLIC POLICY RESEARCH, INC.

Statement of Financial Position

As of December 31, 2021

ASSETS		
Current Assets		
Cash	$	1,844,668
Contributions Receivable		92,000
Prepaid Expenses		5,917
Deposits		184,915
Total Current Assets		2,127,500
Investments		815,717
Fixed Assets		
Office Furniture and Equipment		52,979
Accumulated Depreciation		(44,464)
Total Fixed Assets		8,515
TOTAL ASSETS		2,951,732
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts Payable		44,429
Accrued Liabilities		27,926
Due to Fundraisers		551,064
Total Current Liabilities		623,419
Net Assets		
Net assets without Donor Restrictions		1,915,374
Net assets with Donor Restrictions		412,939
Total Net Assets		2,328,313
TOTAL LIABILITIES AND NET ASSETS	$	2,951,732

THE NATIONAL CENTER FOR PUBLIC POLICY RESEARCH, INC.

Statement of Activities and Changes in Net Assets
For the Year Ended December 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Public Support	$ 11,838,618	$ 312,800	$ 12,151,418
Foundation Support	152,500	790,000	942,500
Investment Income, net	162,019	-	162,019
Released from Restriction	754,596	(754,596)	-
Total Support and Revenue	12,907,733	348,204	13,255,937
EXPENSES			
Program Services			
General Program	7,513,036	-	7,513,036
Free Enterprise	699,860	-	699,860
Project 21	334,359	-	334,359
Environment and Regulatory Issues	60,154	-	60,154
Health Care	4,349	-	4,349
Total Program Services	8,611,758	-	8,611,758
Supporting Services			
General and Administrative	490,372	-	490,372
Fundraising	3,247,129	-	3,247,129
Total Supporting Services	3,737,501	-	3,737,501
Total Expenses	12,349,259	-	12,349,259
CHANGE IN NET ASSETS	558,474	348,204	906,678
Net Assets, Beginning of Year	1,356,900	64,735	1,421,635
Net Assets, End of Year	$ 1,915,374	$ 412,939	$ 2,328,313

THE NATIONAL CENTER FOR PUBLIC POLICY RESEARCH, INC.
Statement of Functional Expenses
For the Year Ended December 31, 2021

	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	$ 6,849,441	$ -	$ -	$ -	$ -	$ 6,849,441	$ 284,356	$ 2,950,598	$ 3,234,954	$ 10,084,395
Salaries	66,287	456,821	192,578	30,629	-	746,315	108,701	187,358	296,059	1,042,374
Direct Mail Costs - In-House	512,084	-	-	-	-	512,084	-	36,725	36,725	548,809
Outside Services	8,389	97,312	24,371	3,876	-	133,948	13,757	23,711	37,468	171,416
Consulting	3,954	41,101	73,310	18,632	4,349	141,346	1,554	10,217	11,771	153,117
Payroll Taxes	4,323	29,792	12,559	1,998	-	48,672	7,089	12,219	19,308	67,980
Insurance	3,551	24,470	10,315	1,641	-	39,977	5,823	10,036	15,859	55,836
Travel and Sustenance	48,698	-	-	-	-	48,698	-	-	-	48,698
Internet	2,237	15,413	6,497	1,033	-	25,180	3,667	6,321	9,988	35,168
Accounting	-	-	-	-	-	-	31,753	-	31,753	31,753
Meetings and Conferences	1,070	7,376	3,109	495	-	12,050	1,755	3,025	4,780	16,830
Legal	-	-	-	-	-	-	16,745	-	16,745	16,745
Storage Costs	998	6,874	2,897	461	-	11,230	-	-	-	11,230
Sponsorships	9,000	-	-	-	-	9,000	-	-	-	9,000
Meals and Entertainment	509	3,507	1,478	235	-	5,729	834	1,438	2,272	8,001
Office Supplies	493	3,395	1,431	228	-	5,547	808	1,392	2,200	7,747
Bank Service Charges	-	-	-	-	-	-	5,509	-	5,509	5,509
Parking	380	2,622	1,105	176	-	4,283	624	1,075	1,699	5,982
Rent	375	2,581	1,088	173	-	4,217	614	1,059	1,673	5,890
Gifts	-	-	-	-	-	-	5,649	-	5,649	5,649
Payroll Processing Fees	316	2,179	918	146	-	3,559	518	894	1,412	4,971
Clip Service	382	2,635	1,111	177	-	4,305	-	-	-	4,305
Shipping	238	1,638	690	110	-	2,676	390	672	1,062	3,738
Depreciation	122	835	351	56	-	1,364	199	342	541	1,905
Dues and Memberships	110	760	320	51	-	1,241	-	-	-	1,241
Research	63	435	183	29	-	710	-	-	-	710
Telephone	16	114	48	8	-	186	27	47	74	260
Total	$ 7,513,036	$ 699,860	$ 334,359	$ 60,154	$ 4,349	$ 8,611,758	$ 490,372	$ 3,247,129	$ 3,737,501	$ 12,349,259

THE NATIONAL CENTER FOR PUBLIC POLICY RESEARCH, INC.

Statement of Cash Flows

For the Year Ended December 31, 2021

OPERATING ACTIVITIES		
Change in Net Assets	$	906,678
Adjustment to reconcile change in net assets to net cash provided by operating activities:		
Depreciation		1,905
Net (Gains)/Losses on Investments		(146,608)
Stock Donations		(18,799)
(Increase)/Decrease in:		
Contributions Receivable		29,430
Prepaid Expenses		549
Other Assets		126
Deposits		(184,915)
Increase/(Decrease) in:		
Accounts Payable		24,154
Accrued Liabilities		11,848
Due to Fundraisers		432,169
NET CASH PROVIDED BY OPERATING ACTIVITIES		1,056,537
INVESTING ACTIVITIES		
Purchase of Investments		(15,352)
Purchase of Office Equipment		(7,473)
NET CASH USED IN INVESTING ACTIVITIES		(22,825)
FINANCING ACTIVITIES		-
NET INCREASE IN CASH		1,033,712
CASH, BEGINNING OF YEAR		810,956
CASH, END OF YEAR	$	1,844,668

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

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

<u>Basis of Presentation</u>: 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.

<u>Cash and Cash Equivalents</u>: 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.

<u>Investments</u>: 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.

<u>Contributions Receivable</u>: 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, 2021. All contributions are receivable in less than one year.

<u>Property and Equipment</u>: 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

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, 2021, 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, 2021.

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

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

has analyzed tax positions taken and has concluded that, as of December 31, 2021, 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 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, 2021, the following financial assets could readily be made available within one year to meet general expenditures:

Financial Assets at year-end:	
Cash	$ 1,844,668
Contributions Receivable	92,000
Investments	815,717
Total Financial Assets	2,752,385
Assets limited to use:	
Donor Restricted	$ (412,939)
Total Assets limited to use	(412,939)
Financial Assets available to meet cash needs for general expenditures within one year:	$ 2,339,446

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).

NOTE 4: INVESTMENTS, CONTINUED

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, 2021.

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 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. At December 31, 2021 all assets were level 1 assets according the fair value hierarchy.

NOTE 4: INVESTMENTS, CONTINUED

The Center's assets at fair value as of December 31, 2021:

Money Market Funds	$ 591
Cash	22,481
Common Stock	749,483
Mutual Funds	
Equity Funds	35,389
Fixed income funds	7,773
Total Investments	$ 815,717

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, 2021:

Interest and Dividends	$ 15,915
Realized Gains / (Losses)	3,073
Unrealized Gains / (Losses)	143,535
Net of Investment Expenses	(504)
Total	$ 162,019

NOTE 5: 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 2021:

Program	$ 7,361,525	69%
Management and General	284,356	3%
Fundraising	2,987,323	28%
Total Costs	$ 10,633,204	100%

NOTE 6: NET ASSETS

Net Assets consisted of the following as of December 31, 2021:

Net Assets without Donor Restrictions:	
Unrestricted, Undesignated Net Assets	$ 1,915,374
Total Net Assets without Donor Restrictions	$ 1,915,374
Net Assets with Donor Restrictions:	
Building	$ 150,000
Free Enterprise Support	262,939
Total Net Assets with Donor Restrictions	$ 412,939
Total Net Assets	$ 2,328,313

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 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 operated in a remote environment prior to COVID-19 and was consequently able to continue all of its operations throughout the pandemic. However, at this point, the extent to which COVID-19 may impact its financial condition in the future cannot be predicted.

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 2021. Upon termination of the agreement,

NOTE 8: OUTSIDE FUNDRAISING, CONTINUED

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, 2021, the amount due to RDI's affiliates was $551,064.

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 2, 2022, the date on which the financial statements were available to be issued.