

FINANCIAL STATEMENTS

ECONOMIC POLICY INSTITUTE

**FOR THE YEAR ENDED DECEMBER 31, 2021
WITH SUMMARIZED FINANCIAL
INFORMATION FOR 2020**

ECONOMIC POLICY INSTITUTE

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CPAs & ADVISORS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Economic Policy Institute
Washington, D.C.

Opinion

We have audited the accompanying financial statements of the Economic Policy Institute (the Institute), which comprise the statement of financial position as of December 31, 2021, and the related statements of activities and change in net assets, 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 the Institute as of December 31, 2021, and the change 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 the Institute 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 the 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 the Institute's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists.

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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 the Institute'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 the Institute'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.

Report on Summarized Comparative Information

The prior year summarized comparative information has been derived from the Institute's 2020 financial statements, which were audited by other auditors and, in their report dated August 16, 2021, they expressed an unmodified opinion on those statements.

A handwritten signature in cursive script that reads "Gelman Rosenberg & Freedman".

September 14, 2022

ECONOMIC POLICY INSTITUTE
STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2021
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2020

ASSETS		<u>2021</u>	<u>2020</u>
CURRENT ASSETS			
Cash and cash equivalents	\$	9,128,688	\$ 7,651,648
Investments		1,003,234	73,279
Grants and contributions receivable		4,281,601	3,816,274
Other receivables		101,780	517,037
Due from EPI Action		95,764	59,425
Prepaid expenses		<u>130,639</u>	<u>49,055</u>
Total current assets		<u>14,741,706</u>	<u>12,166,718</u>
FIXED ASSETS			
Equipment		445,936	369,769
Furniture		380,817	380,817
Computer equipment		192,940	192,940
Leasehold improvements		351,275	351,275
Other		<u>-</u>	<u>1</u>
		1,370,968	1,294,802
Less: Accumulated depreciation and amortization		<u>(885,765)</u>	<u>(776,870)</u>
Net fixed assets		<u>485,203</u>	<u>517,932</u>
NONCURRENT ASSETS			
Security deposit		139,671	139,671
Grants and contributions receivable, net of current portion and discount		<u>4,144,143</u>	<u>670,950</u>
Total noncurrent assets		<u>4,283,814</u>	<u>810,621</u>
TOTAL ASSETS	\$	<u>19,510,723</u>	<u>13,495,271</u>
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Accounts payable and accrued liabilities	\$	219,851	\$ 326,182
Accrued salaries and related benefits		608,314	529,498
Capital lease obligation		7,904	13,771
Deferred rent abatement		<u>76,082</u>	<u>52,608</u>
Total current liabilities		<u>912,151</u>	<u>922,059</u>
NONCURRENT LIABILITIES			
Capital lease obligation, net of current portion		46,531	-
Deferred rent abatement, net of current portion		<u>552,212</u>	<u>628,294</u>
Total noncurrent liabilities		<u>598,743</u>	<u>628,294</u>
Total liabilities		<u>1,510,894</u>	<u>1,550,353</u>
NET ASSETS			
Without donor restrictions		3,325,171	2,876,688
With donor restrictions		<u>14,674,658</u>	<u>9,068,230</u>
Total net assets		<u>17,999,829</u>	<u>11,944,918</u>
TOTAL LIABILITIES AND NET ASSETS	\$	<u>19,510,723</u>	<u>13,495,271</u>

See accompanying notes to financial statements.

ECONOMIC POLICY INSTITUTE

**STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2021
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2020**

	2021			2020
	Without Donor Restrictions	With Donor Restrictions	Total	Total
SUPPORT AND REVENUE				
Grants and contributions:				
Foundation	\$ 799,902	\$ 13,390,560	\$ 14,190,462	\$ 8,896,373
Labor unions	1,517,501	-	1,517,501	1,413,500
Corporations and other organizations	212,644	-	212,644	151,543
Individuals	339,932	-	339,932	275,871
Investment income, net	12,501	-	12,501	9,469
PPP grant revenue	-	-	-	946,600
Rental and other income	128,865	-	128,865	184,539
Publication sales and royalties	117,637	-	117,637	555,903
Net assets released from donor restrictions	<u>7,784,132</u>	<u>(7,784,132)</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>10,913,114</u>	<u>5,606,428</u>	<u>16,519,542</u>	<u>12,433,798</u>
EXPENSES				
Program Services:				
Research	2,567,082	-	2,567,082	2,656,309
Communication and Public Outreach	817,246	-	817,246	969,701
Policy Projects	1,169,063	-	1,169,063	1,074,046
Economic Analysis and Research Network	3,469,301	-	3,469,301	786,168
Education Project	181,565	-	181,565	245,530
Program on Race, Ethnicity & Economy	<u>540,063</u>	<u>-</u>	<u>540,063</u>	<u>521,907</u>
Total program services	<u>8,744,320</u>	<u>-</u>	<u>8,744,320</u>	<u>6,253,661</u>
Supporting Services:				
General and Administrative	1,146,084	-	1,146,084	1,144,675
Fundraising	<u>574,227</u>	<u>-</u>	<u>574,227</u>	<u>567,829</u>
Total supporting services	<u>1,720,311</u>	<u>-</u>	<u>1,720,311</u>	<u>1,712,504</u>
Total expenses	<u>10,464,631</u>	<u>-</u>	<u>10,464,631</u>	<u>7,966,165</u>
Change in net assets	448,483	5,606,428	6,054,911	4,467,633
Net assets at beginning of year	<u>2,876,688</u>	<u>9,068,230</u>	<u>11,944,918</u>	<u>7,477,285</u>
NET ASSETS AT END OF YEAR	<u>\$ 3,325,171</u>	<u>\$ 14,674,658</u>	<u>\$ 17,999,829</u>	<u>\$ 11,944,918</u>

ECONOMIC POLICY INSTITUTE
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2021
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2020

	2021										2020		
	Program Services						Supporting Services				Total Expenses	Total Expenses	
	Research	Communication and Public Outreach	Policy Projects	Economic Analysis and Research Network	Education Project	Program on Race, Ethnicity & Economy	Total Program Services	General and Administrative	Fundraising	Total Supporting Services			
Salaries and fringe benefits:													
Salaries	\$ 1,662,976	\$ 441,678	\$ 678,706	\$ 976,364	\$ 106,717	\$ 364,554	\$ 4,230,995	\$ 372,348	\$ 355,734	\$ 728,082	\$ 4,959,077	\$ 4,624,197	
Fringe benefits	392,308	99,684	171,715	225,054	27,721	87,115	1,003,597	152,018	87,619	239,637	1,243,234	1,143,355	
Total salaries and fringe benefits	2,055,284	541,362	850,421	1,201,418	134,438	451,669	5,234,592	524,366	443,353	967,719	6,202,311	5,767,552	
Communications	11,522	41,471	86	40,310	-	-	93,389	-	7,285	7,285	100,674	27,478	
Conferences, meetings and events	200	140	-	1,516	-	-	1,856	902	-	902	2,758	9,903	
Depreciation	35,346	10,039	11,393	22,724	2,165	6,775	88,442	12,868	7,586	20,454	108,896	108,553	
Royalty fees	-	-	-	-	-	-	-	77,619	-	77,619	77,619	302,989	
Subawards to state groups	1,000	-	-	1,914,881	-	-	1,915,881	-	-	-	1,915,881	83,327	
Interest	-	-	-	-	-	-	-	-	-	-	-	3,179	
Occupancy	303,512	90,116	98,187	193,896	18,627	59,173	763,511	110,831	65,300	176,131	939,642	932,436	
Office expenses and other	56,264	22,966	18,305	38,698	3,434	10,578	150,245	164,784	47,762	212,546	362,791	132,029	
Professional fees	91,839	39,663	188,022	47,394	22,781	10,000	399,699	169,541	-	169,541	569,240	492,007	
Staff development and events	9,836	6,335	1,345	2,308	-	793	20,617	82,393	2,118	84,511	105,128	21,590	
Subscription expenses	2,279	65,154	160	2,116	120	1,075	70,904	1,093	823	1,916	72,820	66,654	
Travel	-	-	1,144	4,040	-	-	5,184	1,687	-	1,687	6,871	18,468	
TOTAL	\$ 2,567,082	\$ 817,246	\$ 1,169,063	\$ 3,469,301	\$ 181,565	\$ 540,063	\$ 8,744,320	\$ 1,146,084	\$ 574,227	\$ 1,720,311	\$ 10,464,631	\$ 7,966,165	

See accompanying notes to financial statements.

ECONOMIC POLICY INSTITUTE
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2021
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2020

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 6,054,911	\$ 4,467,633
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	108,896	108,553
Unrealized gain on investments	(13,798)	(9,469)
Realized loss on sales of investments	843	-
Change in discount for grants and contributions receivable	35,482	(104,272)
(Increase) decrease in:		
Grants and contributions receivable	(3,974,002)	(929,321)
Other receivables	415,257	(467,699)
Due from EPI Action	(36,339)	73,323
Prepaid expenses	(81,584)	81,249
Security deposit	-	139,670
(Decrease) increase in:		
Accounts payable and accrued liabilities	(106,330)	289,965
Deferred income/revenue	-	(55,000)
Accrued salaries and related benefits	78,816	65,347
Deferred rent abatement	<u>(52,608)</u>	<u>52,608</u>
Net cash provided by operating activities	<u>2,429,544</u>	<u>3,712,587</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of fixed assets	(21,733)	-
Purchase of investments	(1,000,132)	-
Proceeds from sale of investments	<u>83,132</u>	<u>-</u>
Net cash used by investing activities	<u>(938,733)</u>	<u>-</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on capital lease	<u>(13,771)</u>	<u>-</u>
Net cash used by financing activities	<u>(13,771)</u>	<u>-</u>
Net increase in cash and cash equivalents	1,477,040	3,712,587
Cash and cash equivalents at beginning of year	<u>7,651,648</u>	<u>3,939,061</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 9,128,688</u>	<u>\$ 7,651,648</u>
SCHEDULE OF NONCASH INVESTING AND FINANCING TRANSACTIONS		
Capital Lease Obligation Incurred for Use of Equipment	<u>\$ 54,435</u>	<u>\$ -</u>

See accompanying notes to financial statements.

ECONOMIC POLICY INSTITUTE

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

Organization -

The Economic Policy Institute (the Institute) is a non-profit organization, incorporated on September 24, 1984 under the laws of the District of Columbia. The Institute's mission is to inform and empower individuals to seek solutions that ensure broadly shared prosperity and opportunity. The Institute is a non-profit, non-partisan think tank, created to broaden discussions about economic policy to include the needs of low and middle-income workers. The Institute believes every working person deserves a good job with fair pay, affordable health care, and retirement security. To achieve this goal, the Institute conducts research and analysis on the economic status of working America. In addition, the Institute proposes public policies that protect and improve the economic conditions of low and middle-income workers and assesses policies with respect to how they affect those workers.

Basis of presentation -

The accompanying financial statements are presented on the accrual basis of accounting, and in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. As such, net assets are reported within two net asset classifications: without donor restrictions and with donor restrictions. Descriptions of the two net asset categories are as follows:

- **Net Assets without Donor Restrictions** - Net assets available for use in general operations and not subject to donor restrictions are recorded as "net assets without donor restrictions". Assets restricted solely through the actions of the Board are referred to as Board designated and are also reported as net assets without donor restrictions.
- **Net Assets with Donor Restrictions** - Contributions restricted by donors are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in "net assets with donor restrictions", depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statement of Activities and Change in Net Assets as net assets released from donor restrictions. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue without donor restrictions when the assets are placed in service.

The accompanying financial statements include certain prior year summarized comparative information in total but not by net asset class; such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Institute's financial statements for the year ended December 31, 2020, from which the summarized information was derived.

Cash and cash equivalents -

The Institute considers all cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents. Bank deposit accounts are insured by the Federal Deposit Insurance Corporation ("FDIC") up to a limit of \$250,000. At times during the year, the Institute maintains cash balances in excess of the FDIC insurance limits. Management believes the risk in these situations to be minimal.

ECONOMIC POLICY INSTITUTE

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION**
(Continued)

Investments -

Investments are recorded at their readily determinable fair value. Interest, dividends, realized and unrealized gains and losses are included in investment income, which is presented net of investment expenses paid to external investment advisors, in the accompanying Statement of Activities and Change in Net Assets. Investments acquired by gift are recorded at their fair value at the date of the gift. The Institute's policy is to liquidate all gifts of investments as soon as possible after the gift.

Accounts and grants receivable -

Accounts and grants receivable are recorded at their net realizable value, which approximates fair value. Receivables that are expected to be collected in future years are recorded at fair value, measured as the present value of their future cash flows. The discounts on these amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in grants and contributions revenue. Conditional promises to give are not included as support until the conditions are substantially met. All receivables are considered by management to be fully collectible. Accordingly, an allowance for doubtful accounts has not been established.

Fixed assets -

Fixed assets in excess of \$2,500 are capitalized and stated at cost. Fixed assets are depreciated on a straight-line basis over the estimated useful lives of the related assets, generally 3 to 10 years. Leasehold improvements are amortized over the remaining life of the lease. The cost of maintenance and repairs is recorded as expenses are incurred. Depreciation and amortization expense for the year ended December 31, 2021 totaled \$108,896.

Income taxes -

The Institute is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made in the accompanying financial statements. The Institute is not a private foundation.

Uncertain tax positions -

For the year ended December 31, 2021, the Institute has documented its consideration of FASB ASC 740-10, *Income Taxes*, that provides guidance for reporting uncertainty in income taxes and has determined that no material uncertain tax positions qualify for either recognition or disclosure in the financial statements.

Revenue recognition -

Grants and contributions -

The Institute receives grants and contributions, including unconditional promises to give, from various sources. Grants and contributions are recognized in the appropriate category of net assets in the period received. The Institute performs an analysis of the individual transaction to determine if the revenue streams follow the contribution rules or if they should be recorded as an exchange transaction depending upon whether the transactions are deemed reciprocal or nonreciprocal under ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*.

ECONOMIC POLICY INSTITUTE

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION (Continued)

Revenue recognition (continued) -

Grants and contributions (continued) -

For awards qualifying under the contribution rules, revenue is recognized upon notification of the award and satisfaction of all conditions, if applicable. Conditional promises to give are not recognized until the conditions on which they depend are substantially met. Unconditional contributions with donor restrictions are recognized as "without donor restrictions" only to the extent of actual expenses incurred in compliance with the donor-imposed restrictions and satisfaction of time restrictions; such funds in excess of expenses incurred are shown as net assets with donor restrictions in the accompanying financial statements.

Awards qualifying as conditional contributions contain a right of return and a barrier. Revenue is recognized when the condition or conditions are satisfied. Funds received in advance are recorded as refundable advances. As of December 31, 2021, the Institute had approximately \$942,000 in unrecognized conditional awards (such amounts have not been recognized as revenue as of December 31, 2021).

The Institute also receives contributions of professional services from donors (at no cost), which are recorded at their fair value as of the date of the gift. Contributions totaling \$46,894 have been included in "Corporations and Other Organizations" revenue (and "Professional Fees" expense) in the accompanying financial statements. In addition, volunteers have donated significant amounts of their time to the Institute; these donated services are not reflected in the accompanying financial statements since these services do not meet the criteria for recognition as contributed services.

Publication sales and royalties -

The Institute receives revenue streams which are classified as exchange transactions and follow ASU 2014-09, *Revenue from Contracts With Customers*. Revenue is recorded at a point in time when the performance obligations are met. The Institute recognizes publications sales at a point in time when control of the property transfers to the buyer. Royalty, rental and other income is recognized when earned. Transaction price is based on an agreed-upon price in the sales contracts.

Use of estimates -

The preparation of the 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 at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

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 and Change in Net Assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses directly attributed to a specific functional area of the Institute are reported as direct expenses to the programmatic area and those expenses that benefit more than one function are allocated on a basis of estimated time and effort or other reasonable basis.

ECONOMIC POLICY INSTITUTE

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION
(Continued)

Fair value measurement -

The Institute adopted the provisions of FASB ASC 820, *Fair Value Measurement*. FASB ASC 820 defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs (assumptions that market participants would use in pricing assets and liabilities, including assumptions about risk) used to measure fair value, and enhances disclosure requirements for fair value measurements. The Institute accounts for a significant portion of its financial instruments at fair value or considers fair value in their measurement.

New accounting pronouncements not yet adopted -

ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, improves generally accepted accounting principles (GAAP) by increasing the transparency of contributed nonfinancial assets for not-for-profit (NFP) entities through enhancements to presentation and disclosure. The amendments in this Update address certain stakeholders' concerns about the lack of transparency relating to the measurement of contributed nonfinancial assets recognized by NFPs, as well as the amount of those contributions used in a NFP's programs and other activities. The ASU should be applied on a retrospective basis and is effective for annual periods beginning after June 15, 2021, and interim periods within annual periods beginning after June 15, 2022. Early adoption is permitted. The amendment will not change the recognition and measurement requirements for those contributed nonfinancial assets.

ASU 2019-01, *Leases* (Topic 842), changes the accounting treatment for operating leases by requiring recognition of a lease asset and lease liability at the present value of the lease payments in the Statement of Financial Position and disclosure of key information about leasing arrangements. During 2020, the FASB issued ASU 2020-05 and delayed the implementation date by one year. The ASU is effective for non public entities with fiscal years beginning after December 15, 2021. Early adoption is still permitted. The ASU can be applied at the beginning of the earliest period presented using a modified retrospective approach or applied at the beginning of the period of adoption recognizing a cumulative-effect adjustment.

The Institute plans to adopt the new ASUs at the required implementation dates and management is currently in the process of evaluating the adoption method and the impact of the new standards on its accompanying financial statements.

2. INVESTMENTS

Investments consisted of the following as of December 31, 2021:

	<u>Fair Value</u>
Money market funds	\$ 6,555
Exchange traded funds and closed end funds	747,604
Mutual funds	<u>249,075</u>
TOTAL INVESTMENTS	<u>\$ 1,003,234</u>

ECONOMIC POLICY INSTITUTE

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

2. INVESTMENTS (Continued)

Included in investment income, net are the following:

Interest and dividends	\$ 132
Unrealized gain on investments	13,798
Realized loss on sales of investments	(843)
Investment management fees	<u>(586)</u>
TOTAL INVESTMENT INCOME, NET OF INVESTMENT EXPENSES	\$ <u>12,501</u>

3. GRANTS AND CONTRIBUTIONS RECEIVABLE

As of December 31, 2021, donors to the Institute have made unconditional written promises to give, of which \$8,465,276, remained due and outstanding. Amounts due beyond one year of the Statement of Financial Position date have been recorded at the present value of the estimated cash flows, using a discount rate of 0.60%. Following is a schedule of amounts due, by year, as of December 31, 2021:

Less than one year	\$ 4,281,601
One to five years	<u>4,183,675</u>
	8,465,276
Less: current portion	(4,281,601)
Less: allowance to discount balance to net present value	<u>(39,532)</u>
NET NONCURRENT RECEIVABLES	\$ <u>4,144,143</u>

4. CAPITAL LEASE OBLIGATION

During 2021, the Institute entered into a capital lease obligation for equipment; the agreement expires in 2026. As of December 31, 2021, the cost of the leased asset (less the related accumulated amortization) was \$54,435. Amortization of assets held under capital leases is included with depreciation expense. Future minimum lease payments as of December 31, 2021 are as follows:

<u>Year Ending December 31,</u>	
2022	\$ 15,540
2023	15,540
2024	15,540
2025	15,540
2026	<u>15,540</u>
	77,700
Less: imputed interest	<u>(23,265)</u>
	54,435
Less: current portion	<u>(7,904)</u>
NONCURRENT PORTION	\$ <u>46,531</u>

ECONOMIC POLICY INSTITUTE

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

5. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following at December 31, 2021:

Subject to expenditure for specified purpose:	
Research	\$ 980,833
Policy	292,325
EARN	10,422,198
FREE	<u>1,081,352</u>
Subtotal	12,776,708
Subject to passage of time	<u>1,897,950</u>
TOTAL NET ASSETS WITH DONOR RESTRICTIONS	\$ <u>14,674,658</u>

The following net assets with donor restrictions were released from donor restrictions by incurring expenses (or through the passage of time) which satisfied the restricted purposes specified by the donors:

Purpose restrictions accomplished:	
Research	\$ 1,647,628
Policy	584,211
EARN	3,175,556
FREE	581,195
Timing restrictions accomplished	<u>1,795,542</u>
TOTAL NET ASSETS RELEASED FROM DONOR RESTRICTIONS	\$ <u>7,784,132</u>

6. LIQUIDITY AND AVAILABILITY

Financial assets available for use for general expenditures within one year of the Statement of Financial Position date comprise the following:

Cash and cash equivalents	\$ 9,128,688
Investments	1,003,234
Other receivables	101,780
Grants and contributions receivable	<u>4,281,601</u>
Subtotal financial assets available within one year	14,515,303
Less: current portion of purpose-restricted donor funds	<u>(8,632,565)</u>
FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS FOR GENERAL EXPENDITURES WITHIN ONE YEAR	\$ <u>5,882,738</u>

The Institute has a policy to structure its financial assets to be available and liquid as its obligations become due.

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7. LEASE COMMITMENTS

The Institute leases office space under an agreement which commenced on April 1, 2016 and terminates on December 31, 2026. Base rent was \$853,737, plus a proportionate share of expenses, increasing by a factor of 2.5% per year.

Accounting principles generally accepted in the United States of America require that the total rent commitment should be recognized on a straight-line basis over the term of the lease. Accordingly, the difference between the actual monthly payments and the rent expense being recognized for financial statement purposes is recorded as a deferred rent liability in the Statement of Financial Position.

The following is a schedule of the future minimum lease payments:

<u>Year Ending December 31,</u>	
2022	\$ 965,823
2023	990,011
2024	1,014,819
2025	1,040,197
2026	<u>1,066,147</u>
	<u>\$ 5,076,997</u>

Occupancy expense for the year ended December 31, 2021 was \$939,642. As of December 31, 2021, the deferred rent liability aggregated \$628,294.

The Institute subleases a portion of its office space to two sub-tenants to share the monthly rent under various leases.

The following is a schedule of the future minimum rental income:

Year Ending December 31, 2022	<u>\$ 56,984</u>
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Rental income for the year ended December 31, 2021 was \$97,328.

8. RETIREMENT PLAN

The Institute maintains a qualified defined contribution retirement plan that covers all employees subject to certain eligibility requirements. Under this plan, the Institute contributes nine and one quarter percent of eligible employees' salaries, and employees may contribute a percentage up to Internal Revenue Code limits. During the year ended December 31, 2021, retirement plan expense totaled \$391,929.

9. CONCENTRATION OF REVENUE

Approximately 48% of the Institute's revenue for the year ended December 31, 2021 was derived from multi-year awards received from three donors. The Institute has no reason to believe that relationships with these donors will be discontinued in the foreseeable future. However, any interruption of these relationships (i.e., the failure to renew grant agreements or withholding of funds) would adversely affect the Institute's ability to finance ongoing operations.

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10. RELATED PARTY

The Institute shares certain personnel and office space with EPI Action (EPIA), a 501(c)(4) non-profit organization. For the year ended December 31, 2021, personnel costs and shared office expenses (reimbursed by EPIA to EPI) totaled \$36,339. The financial statements of the Institute and EPIA have not been consolidated as the criteria for consolidation have not been met.

11. FAIR VALUE MEASUREMENT

In accordance with FASB ASC 820, *Fair Value Measurement*, the Institute has categorized its financial instruments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument. Investments recorded in the Statement of Financial Position are categorized based on the inputs to valuation techniques as follows:

Level 1. These are investments where values are based on unadjusted quoted prices for identical assets in an active market the Institute has the ability to access.

Level 2. These are investments where values are based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, or model-based valuation techniques that utilize inputs that are observable either directly or indirectly for substantially the full-term of the investments.

Level 3. These are investments where inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Following is a description of the valuation methodology used for investments measured at fair value; there were no changes in methodology or transfers between levels in the fair value hierarchy during the year ended December 31, 2021:

- *Money market funds* - The money market funds are open-end mutual funds that are registered with the Securities and Exchange Commission and is deemed to be actively traded.
- *Exchange traded funds and closed ended funds* - Valued at the closing price reported on the active market in which the individual securities are traded.
- *Mutual funds* - Valued at the daily closing price as reported by the fund. Mutual funds held by the Institute are open-end mutual funds that are registered with the SEC. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The mutual funds held by the Institute are deemed to be actively traded.

The table below summarizes, by level within the fair value hierarchy as of December 31, 2021:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments:				
Money market funds	\$ 6,555	\$ -	\$ -	\$ 6,555
Exchange traded funds and closed end funds	747,604	-	-	747,604
Mutual funds	<u>249,075</u>	<u>-</u>	<u>-</u>	<u>249,075</u>
TOTAL INVESTMENTS	<u>\$ 1,003,234</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,003,234</u>

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12. SUBSEQUENT EVENTS

In preparing these financial statements, the Institute has evaluated events and transactions for potential recognition or disclosure through September 14, 2022, the date the financial statements were issued.

In recent months, the global financial markets have experienced significant declines. As of the date of this report, the Institute's investments have declined by approximately 16% (\$158,000) since December 31, 2021.