Economic Policy Institute
Financial Statements
December 31, 2019 and 2018

Economic
Policy
Institute

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Economic Policy Institute
Washington, DC

We have audited the accompanying financial statements of Economic Policy Institute (the Institute), a not-for-profit organization, which comprise the statements of financial position as of December 31, 2019 and 2018, 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 auditors consider internal control relevant to the Institute'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 Institute'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 Economic Policy Institute as of December 31, 2019 and 2018, 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.

Squire, Lemke + Co., LLP

May 29, 2020

ECONOMIC POLICY INSTITUTE

STATEMENTS OF FINANCIAL POSITION

	DECEMBER 31, 2019	DECEMBER 31, 2018
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 4,055,452	$ 2,200,472
Investments	63,810	50,982
Grants receivable, current portion	2,211,953	1,821,003
Due from EPI Policy Center	132,748	164,635
Other receivables	49,338	1,029
Prepaid expenses	130,304	139,347
TOTAL CURRENT ASSETS	$ 6,643,605	$ 4,377,468
NON CURRENT ASSETS:		
Grants receivable, non-current, net	$ 1,241,678	$ 366,668
Property and equipment, net	605,345	693,713
Deposits	279,341	279,341
TOTAL NON CURRENT ASSETS	$ 2,126,364	$ 1,339,722
TOTAL ASSETS	$ 8,769,969	$ 5,717,190
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	$ 36,219	$ 42,153
Accrued payroll and vacation	464,150	404,148
Deferred revenue	55,000	-
Capital lease obligation, current portion	12,361	10,649
Deferred rent benefit, current portion	29,705	7,326
TOTAL CURRENT LIABILITIES	$ 597,435	$ 464,276
LONG TERM LIABILITIES:		
Capital lease obligation, net of current portion	$ 14,347	$ 26,708
Deferred rent benefit, net of current portion	680,902	710,607
TOTAL LONG TERM LIABILITIES	$ 695,249	$ 737,315
TOTAL LIABILITIES	$ 1,292,684	$ 1,201,591
NET ASSETS:		
Without donor restrictions	$ 2,164,375	$ 1,613,845
With donor restrictions	5,312,910	2,901,754
TOTAL NET ASSETS	$ 7,477,285	$ 4,515,599
TOTAL LIABILITIES AND NET ASSETS	$ 8,769,969	$ 5,717,190

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

ECONOMIC POLICY INSTITUTE

STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED DECEMBER 31,

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT:						
Grant revenue:						
Foundations	$ 1,101,050	$ 6,833,342	$ 7,934,392	$ 844,500	$ 3,714,500	$ 4,559,000
Labor unions	-	95,000	95,000	-	60,000	60,000
Corporations and others	-	267,279	267,279	-	289,636	289,636
Public support:						
Labor unions	1,579,500	-	1,579,500	1,653,100	-	1,653,100
Corporations/organizations	151,523	-	151,523	495,939	-	495,939
Individuals	250,830	-	250,830	459,472	-	459,472
EPI event:						
Gross revenue	-	-	-	189,131	-	189,131
Less, direct expenses	-	-	-	(107,495)	-	(107,495)
Program service revenue	285,000	-	285,000	-	-	-
Publication sales and royalties	61,859	-	61,859	212,566	-	212,566
Conference income	53,139	-	53,139	34,602	-	34,602
Rental and other income	174,414	-	174,414	169,331	-	169,331
Net assets released from restrictions	4,784,465	(4,784,465)	-	2,917,514	(2,917,514)	-
TOTAL REVENUE AND SUPPORT	$ 8,441,780	$ 2,411,156	$ 10,852,936	$ 6,868,660	$ 1,146,622	$ 8,015,282
EXPENSES:						
Programs:						
Research and policy projects	$ 6,314,836	$ -	$ 6,314,836	$ 5,166,275	$ -	$ 5,166,275
Policy development	32,772	-	32,772	36,154	-	36,154
Communications and public outreach	179,428	-	179,428	303,161	-	303,161
Research and program leadership	400,424	-	400,424	592,736	-	592,736
Total programs	$ 6,927,460	$ -	$ 6,927,460	$ 6,098,326	$ -	$ 6,098,326
Supporting Services:						
Management and general	$ 615,531	$ -	$ 615,531	$ 123,649	$ -	$ 123,649
Grant procurement and fundraising	460,832	-	460,832	469,670	-	469,670
Total supporting services	$ 1,076,363	$ -	$ 1,076,363	$ 593,319	$ -	$ 593,319
TOTAL EXPENSES	$ 8,003,823	$ -	$ 8,003,823	$ 6,691,645	$ -	$ 6,691,645
CHANGE IN NET ASSETS FROM OPERATIONS	$ 437,957	$ 2,411,156	$ 2,849,113	$ 177,015	$ 1,146,622	$ 1,323,637
OTHER NON-OPERATING INCOME:						
Interest and dividends, net of fees	$ 4,092	$ -	$ 4,092	$ 5,055	$ -	$ 5,055
Realized and unrealized losses	12,828	-	12,828	(4,450)	-	(4,450)
TOTAL NON-OPERATING INCOME	$ 16,920	$ -	$ 16,920	$ 605	$ -	$ 605
CHANGE IN NET ASSETS BEFORE PROVISION FOR INCOME TAXES	$ 454,877	$ 2,411,156	$ 2,866,033	$ 177,620	$ 1,146,622	$ 1,324,242
PROVISIONS FOR INCOME TAXES	-	-	-	(7,929)	-	(7,929)
CHANGE IN NET ASSETS AFTER PROVISION OF INCOME TAXES	$ 454,877	$ 2,411,156	$ 2,866,033	$ 169,691	$ 1,146,622	$ 1,316,313
NET ASSETS, BEGINNING OF YEAR	1,613,845	2,901,754	4,515,599	1,444,154	1,755,132	3,199,286
ADOPTION OF ACCOUNTING STANDARD (NOTE 1)	95,653	-	95,653	-	-	-
NET ASSETS, END OF YEAR	$ 2,164,375	$ 5,312,910	$ 7,477,285	$ 1,613,845	$ 2,901,754	$ 4,515,599

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

ECONOMIC POLICY INSTITUTE

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2019

	Programs					Supporting Services			
	Research and Policy Projects	Policy Development	Communications and Public Outreach	Research and Program Leadership	Programs Subtotal	Management and General	Grant Procurement and Fundraising	Supporting Services Subtotal	Total
Salaries and fringe benefits:									
Salaries	$ 3,604,387	$ 23,282	$ 26,889	$ 186,401	$ 3,840,959	$ 291,535	$ 286,706	$ 578,241	$ 4,419,200
Fringe benefits	829,027	5,302	5,605	37,471	877,405	99,172	64,956	164,128	1,041,533
Total salaries and fringe benefits	$ 4,433,414	$ 28,584	$ 32,494	$ 223,872	$ 4,718,364	$ 390,707	$ 351,662	$ 742,369	$ 5,460,733
Communications	10,379	-	32,718	5,538	48,635	-	75	75	48,710
Conferences, meetings and events	389,485	-	4,147	20,271	413,903	1,651	126	1,777	415,680
Depreciation	80,098	351	892	6,095	87,436	10,673	8,377	19,050	106,486
Grants and regrants	270,000	-	-	1,000	271,000	-	-	-	271,000
Occupancy	701,641	3,236	10,525	34,439	749,841	87,249	65,813	153,062	902,903
Office expenses	70,445	278	2,849	14,887	88,459	15,964	22,338	38,302	126,761
Professional fees	252,502	323	36,500	60,492	349,817	80,410	6,749	87,159	436,976
Staff development and events	7,973	-	5,949	9,390	23,312	23,044	2,640	25,684	48,996
Subscription expenses	17,917	-	51,236	3,563	72,716	5,107	537	5,644	78,360
Travel	80,982	-	2,118	20,877	103,977	726	2,515	3,241	107,218
Total expenses by function	$ 6,314,836	$ 32,772	$ 179,428	$ 400,424	$ 6,927,460	$ 615,531	$ 460,832	$ 1,076,363	$ 8,003,823

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

ECONOMIC POLICY INSTITUTE

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2018

	Programs					Supporting Services			
	Research and Policy Projects	Policy Development	Communications and Public Outreach	Research and Program Leadership	Programs Subtotal	Management and General	Grant Procurement and Fundraising	Supporting Services Subtotal	Total
Salaries and fringe benefits:									
Salaries	$ 3,075,541	$ 20,388	$ 101,675	$ 325,054	$ 3,522,658	$ 41,937	$ 283,910	$ 325,847	$ 3,848,505
Fringe benefits	747,140	4,952	24,700	78,965	855,757	17,608	68,970	86,578	942,335
Total salaries and fringe benefits	$ 3,822,681	$ 25,340	$ 126,375	$ 404,019	$ 4,378,415	$ 59,545	$ 352,880	$ 412,425	$ 4,790,840
Communications	39,801	-	45,821	90	85,712	-	815	815	86,527
Conferences, meetings and events	147,606	90,166	3,102	5,191	246,065	3,835	3,718	7,553	253,618
Depreciation	86,258	390	3,099	7,784	97,531	2,023	9,370	11,393	108,924
Grants and regrants	-	-	-	500	500	-	-	-	500
Occupancy	684,248	3,097	26,583	61,747	775,675	17,975	74,328	92,303	867,978
Office expenses	69,680	8,748	7,921	8,384	94,733	5,801	18,084	23,885	118,618
Professional fees	271,433	8,312	50,267	68,860	398,872	32,677	7,366	40,043	438,915
Staff development and events	2,022	215	3,335	14,406	19,978	1,678	567	2,245	22,223
Subscription expenses	11,456	6,300	36,580	3,804	58,140	-	-	-	58,140
Travel	31,090	1,081	78	17,951	50,200	115	2,542	2,657	52,857
Unrelated business income taxes	-	-	-	-	-	7,929	-	7,929	7,929
Total expenses by function	$ 5,166,275	$ 143,649	$ 303,161	$ 592,736	$ 6,205,821	$ 131,578	$ 469,670	$ 601,248	$ 6,807,069
Less expenses included with revenues on the statement of activities:									
Cost of direct benefits to donors	-	(107,495)	-	-	(107,495)	-	-	-	(107,495)
Less provision for income taxes	-	-	-	-	-	(7,929)	-	(7,929)	(7,929)
TOTALS	$ 5,166,275	$ 36,154	$ 303,161	$ 592,736	$ 6,098,326	$ 123,649	$ 469,670	$ 593,319	$ 6,691,645

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

ECONOMIC POLICY INSTITUTE

STATEMENTS OF CASH FLOWS

	FOR THE YEARS ENDED DECEMBER 31, 2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from contributions, grants, and other	$ 9,721,207	$ 6,845,390
Cash paid to suppliers, employees, and grantees	(7,852,201)	(6,518,403)
Donated securities	-	(55,390)
Interest received	4,092	5,055
Provision for income taxes	-	(7,929)
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 1,873,098	$ 268,723
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	$ (18,118)	$ (13,842)
Reinvested earnings	-	(42)
NET CASH USED IN INVESTING ACTIVITIES	$ (18,118)	$ (13,884)
NET INCREASE IN CASH AND CASH EQUIVALENTS	$ 1,854,980	$ 254,839
CASH AND CASH EQUIVALENTS:		
BEGINNING OF YEAR	2,200,472	1,945,633
END OF YEAR	$ 4,055,452	$ 2,200,472
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Change in net assets	$ 2,866,033	$ 1,316,313
Adjustments:		
Adoption of accounting standard (Note 1)	95,653	
Depreciation	106,486	108,924
Donated securities	-	(55,390)
Unrealized gain (loss)	(12,828)	4,450
Changes in assets and liabilities:		
Grants receivable	(1,265,960)	(1,270,171)
Due from EPI Policy Center	31,887	(18,041)
Other receivables	(48,309)	118,320
Prepaid expenses	9,043	28,123
Accounts payable and accrued expenses	(5,934)	4,731
Accrued payroll and vacation	60,002	26,014
Deferred revenue	55,000	-
Capital lease obligation	(10,649)	(9,174)
Deferred rent benefit	(7,326)	14,624
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 1,873,098	$ 268,723

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

Note 1. Organization and Significant Accounting Policies

Organization - The Economic Policy Institute (the Institute) was incorporated 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.

Method of Accounting - The Institute uses the accrual basis of accounting, whereby revenue is recognized when earned and expenses are recognized when incurred.

Basis of Presentation - The financial statements of the Institute have been prepared in accordance with U.S. generally accepted accounting principles ("US GAAP"), which require the Institute to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions - Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Institute. These net assets may be used at the discretion of the Institute, management and the board of directors.

Net assets with donor restrictions - Net assets subject to stipulations imposed by donors and grantors. These donor restrictions are temporary in nature; those restrictions will be met by actions of the Institute, or by the passage of time.

Definition of Operations - Operating revenue and expenses reflect revenue and expenses directly related to operating the Institute, and exclude investment income and expenses.

Revenue Recognition - The Institute recognizes unconditional grants and contributions in the period in which the commitment to give is made. Grant and contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and nature of any donor-imposed restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Conditional promises to give are not included as revenue and support until such time as the conditions are substantially met. Revenue from conditional grants received before restrictions are met are recorded in deferred revenue until the conditions are met.

Note 1. **Organization and Significant Accounting Policies** (Continued)

The Institute reports gifts of land, buildings, and equipment as support without donor restriction unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as net assets with donor restriction.

Management has analyzed the provisions of the FASB's ASC Topic 606, *Revenue from Contracts with Customers*, and has concluded that revenue sources such as conference income, event income and publication sales were recognized the same way under old and new guidance.

The Institute recognizes publication sales at a point in time when control of the property transfers to the buyer. Certain contracts also include variable consideration in the form of royalties earned when customers meet contractual volume thresholds. Royalty revenue is recognized when earned. Event and conference revenue are recognized in the year that the conference or event occurs. Payments received in advance of the conference or event are reported as deferred contract revenue, and recognized in revenue at the point in time of the conference or event.

The Institute also performs research and other services to customers under contract and records the revenue as program service revenue. In program service contracts with multiple performance obligations, the Institute identifies each performance obligation and evaluates whether the performance obligations are distinct within the context of the contract at contract inception. Performance obligations that are not distinct at contract inception are combined. The transaction price is generally in the form of a fixed fee at contract inception. The Institute allocates the transaction price to each distinct performance obligation based on the estimated standalone selling price for each performance obligation. Revenue is then recognized as the individual performance obligations are met. All contract revenue was awarded and earned by the end of the year, therefore no were no outstanding contract liabilities.

Cash and Cash Equivalents - For purposes of the statements of cash flows, the Institute considers highly liquid investment instruments purchased with an original maturity of three months or less to be cash equivalents. Cash held in brokerage accounts is classified with investments.

Investments - Investments are recorded at fair value based on quoted market prices when available. Interest and dividends are netted with investment fees. Interest, dividends, and realized and unrealized gains and losses are recorded as revenue when earned.

Receivables - Grants receivable represent amounts unconditionally committed by donors that have not been received by the Institute as of the statements of financial position dates. Other receivables consist of amounts due on exchange transactions. Receivables are carried at their original amount less an estimate for doubtful receivables based on an annual review of all outstanding amounts.

Note 1. **Organization and Significant Accounting Policies** (Continued)

For the years ended December 31, 2019 and 2018, there is no allowance for doubtful accounts, based on management's evaluation of the collectability of receivables.

Tax-Exempt Status - The Institute is a 501(c)(3) organization that is exempt from Federal income taxes under the provisions of the Internal Revenue Code Section 501(a), except for income unrelated to their exempt purpose. The Institute is classified as an organization that is not a private foundation and qualifies for charitable contribution deductions. For the year ended December 31, 2018, the Institute had unrelated business income tax expenses of $7,929, as a result of a tax law change which taxed transportation benefits as unrelated business income. There was no provision for income taxes required for the year ended December 31, 2019 since the Institute had no taxable income from unrelated business activities as the law taxing transportation benefits was repealed.

Property and Equipment - Equipment, furniture, software, and leasehold improvements with a cost greater than $500 are capitalized and stated at cost. The Institute provides for depreciation using the straight-line method over estimated useful lives of three to ten years. Leasehold improvements are amortized over the lesser of the useful life or the remaining lease term.

When property and equipment is retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts with any resulting gain or loss reflected in income. Maintenance and repairs are expensed in the year incurred.

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 amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Accounting for Uncertain Tax Provisions - The Institute recognizes any potential financial statement impact of a tax position when it is more-likely-than-not that the position will not be sustained upon examination as required by the FASB Accounting Standards Codification topic *Accounting for Uncertainty in Income Taxes*. For the years ended December 31, 2019 and 2018, the Institute does not believe it has any uncertain tax positions, and the financial statements do not have any unrecognized tax benefits or liabilities that need to be recorded. Tax returns are subject to examination by federal and state taxing authorities, generally for three years after filing. The Institute's returns for the years ended 2016 through 2018 are open to such examination.

Note 1. **Organization and Significant Accounting Policies** (Continued)

Functional Allocation of Expenses - The costs of providing the various programs and other activities have been summarized in the statements of activities and statements of functional expenses. Accordingly, certain expenses have been allocated among the programs and supporting services.

The expenses that are allocated include the following:

Expenses	Method of Allocation
Salaries and fringe benefits	Time and effort
Depreciation	Full time equivalent
Occupancy	Full time equivalent
Office Expenses	Full time equivalent
Professional Fees	Full time equivalent

Fair Value Measurements - The Institute complies with the provisions of FASB ASC 820, *Fair Value Measurement and Disclosures.* 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 the disclosure requirements for fair value measurements. The Institute accounts for a significant portion of its financial statements at fair value or considers fair value in their measurement.

New Accounting Pronouncement - In June 2018, FASB issued ASU 2018-08, *Not-For-Profit Entities (Topic 958), Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The ASU clarifies and improves guidance for contributions received and contributions made, and provides guidance to organizations on how to account for certain exchange transactions This change is preferable in that it clarifies whether to account for transactions as contributions or as exchange transactions. In addition, it clarifies whether a contribution is conditional. As a result, it enhances comparability of financial information among not-for-profit entities. The Institute adopted the change in accounting principle on a modified prospective basis in 2019. Adoption of the ASU had no effect on the financial statements as the Institute's contributions were recognized the same way under old and new guidance.

Note 1. **Organization and Significant Accounting Policies** (Continued)

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606). This guidance outlines a single, comprehensive model for accounting for revenue from contracts with customers. The Institute adopted the standard on January 1, 2019 and applied it using a modified retrospective approach. Adoption of the ASU impacted the recognition of royalty revenue and had a cumulative adjustment of $95,653 to beginning 2019 net assets due to the transition from reporting royalty revenue on a lag basis when reporting is received to as earned as required under Topic 606. The change increased 2019 receivables by $41,198 for amounts earned in 2019 but receivable in 2020, and decreased revenue by $54,455 for amounts that would have been earned in prior years under the new guidance. The change was applied to all contracts not completed as of the date of application. There was no other effect on the prior year financial statements as the Institute's contracts with customers were recognized the same way under old and new guidance.

Note 2. **Concentration of Credit Risk** - Financial instruments, which potentially subject the Institute to a concentration of credit risk, include cash deposits with a commercial bank and a financial entity located in Washington, DC. The Institute's cash management policies limit its exposure to a concentration of credit risk by maintaining cash accounts at financial institutions whose deposits are insured by the Federal Deposit Insurance Corporation (FDIC). Cash deposits may exceed the FDIC insurable limit at times throughout the year until an appropriate transfer of funds can be made to another commercial bank. Management does not consider this to be a significant concentration of credit risk.

Note 3. **Grants Receivable** - Management considers all grants receivable to be fully collectible, thus the financial statements do not include a provision for uncollectible receivables. Grants receivable are due as follows:

	2019	2018
Due in less than one year	$ 2,211,953	$ 1,821,003
Due in one to five years	1,350,000	366,668
Less discount on grants receivable	(108,322)	--
Total grants receivable	$ 3,453,631	$ 2,187,671

As of December 31, 2019, the discount used in determining the present value of multiyear grants was 2.8% which was the Applicable Federal Rate as of June 2019. All amounts are deemed fully collectible. Accordingly, no allowance for uncollectible accounts has been provided.

Note 4. **Fair Value Measurements** - The Institute has categorized its investments, 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 the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

Note 4. **Fair Value Measurements** (Continued)

Investments recorded in the statements 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 that the Institute has the ability to access.

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

Level 3 These are investments where values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. These inputs reflect assumptions market participants would use in pricing the investments. These investments include non-readily marketable securities that do

Investments recorded in the statements of financial position are categorized as follows as of December 31, 2019:

	Level 1	Level 2	Level 3	Total
Common stock	$ 63,532	$ --	$ --	$ 63,532
Subtotals	$ 63,532	$ --	$ --	$ 63,532
Cash				278
Totals				$ 63,810

Investments recorded in the statements of financial position are categorized as follows as of December 31, 2018:

	Level 1	Level 2	Level 3	Total
Common stock	$ 50,940	$ --	$ --	$ 50,940
Subtotals	$ 50,940	$ --	$ --	$ 50,940
Cash				42
Totals				$ 50,982

The following is a description of the valuation methodologies used for instruments measured at fair value and their classification in the valuation hierarchy:

Common Stocks - Comprised of securities that are listed on a national market or exchange and are valued at the last sales price, or if there is no sale and the market is still considered active, at the last transaction price before year-end. Such securities are classified within Level 1 of the valuation hierarchy.

Note 5. **Property and Equipment** - The major classes of property and equipment as of December 31 are as follows:

	2019	2018
Equipment	$ 348,631	$ 340,604
Furniture	380,817	374,925
Software	192,940	188,740
Leasehold improvements	351,275	351,275
Subtotals	$ 1,273,663	$ 1,255,544
Less, Accumulated depreciation	(668,318)	(561,831)
Totals	$ 605,345	$ 693,713

Note 6. **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. Contributions by the Institute for the years ended December 31, 2019 and 2018 totaled $371,981 and $325,605, respectively.

Note 7. **Commitments** - In 2015, the Institute signed a new ten-year and nine month office lease which started on April 1, 2016 and ends on December 31, 2026. The office lease contains an annual 2.5% escalation clause and includes a nine month abatement, which will be recognized using the straight-line method over the life of the lease.

The Institute had three sub-tenants in 2018 to share the monthly rent for the office space. As of December 31, 2019, the lease terms range from month-to-month to 4 years.

Approximate future minimum rental commitments and future minimum rental receipts under the non-cancelable office leases are as follows:

Year	Amount	Sublease
2020	$ 919,446	$ 125,734
2021	942,349	31,626
2022	965,823	--
2023	990,011	--
2024	1,014,819	--
Thereafter	2,106,343	--
Totals	$ 6,938,791	$ 157,360

Occupancy expense for the years ended December 31, 2019 and 2018 totaled $902,903 and $867,978, respectively. Rental income for the years ended December 31, 2019 and 2018 totaled $170,558 and $169,330, respectively.

Note 8. **Capital Lease Obligations** - During 2016, the Institute leased certain equipment under an agreement that is classified as a capital lease. The cost of equipment acquired under the capital lease is included in the balance sheet as equipment at December 31, 2019 for $54,435. Accumulated amortization on the leased equipment at December 31, 2019 and 2018 was $32,661 and $21,774, respectively. Amortization of the asset under the capitalized lease is included in depreciation expense. Future minimum lease payments are as follows:

Year	Amount
2020	15,540
2021	15,540
Total	$ 31,080
Less, amount representing interest	4,372
Present value of minimum lease payments	$ 26,708

Note 9. **Net Assets With Donor Restrictions** - Net assets with donor restrictions were composed of the following as of December 31:

	2019	2018
Time Restrictions:		
General Support	$ 2,285,852	$ 385,417
Purpose Restrictions:		
Color of Law Book Costs	$ 46,737	$ 7,587
Institutional Strengthening	300,000	--
Retirement Security	7,826	--
Labor Policy	10,417	10,417
Fiscal Policy	--	250,000
Education Project	3,239	--
Program on Race, Ethnicity, and the Economy	596,065	--
Living Standards Program	583,333	630,000
Trade Policy	60,000	70,000
Economic Analysis and Research Network	532,905	1,023,333
Macroeconomics Program	175,000	525,000
State & Local Law Enforcement	150,000	--
Unequal Power	561,536	--
Total Purpose Restrictions	$ 3,027,058	$ 2,516,337
Totals	$ 5,312,910	$ 2,901,754

Note 10. **Related Party** - The Institute shares certain personnel and office space with EPI Policy Center (EPC), a 501(c)(4) non-profit organization. For the years ended December 31, 2019 and 2018, personnel costs and shared office expenses were $132,748 and $160,528, respectively.

Note 11. **Availability and Liquidity** - The following represents the Institute's financial assets at December 31, 2019 and 2018:

	2019	2018
Financial assets at year end:		
Cash and cash equivalents	$ 4,055,452	$ 2,200,472
Investments	63,810	50,982
Grants receivable, current portion	2,211,953	1,821,003
Due from EPI Policy Center	132,748	164,635
Other receivables, current net	49,338	1,029
Total current financial assets	$ 6,513,301	$ 4,238,121
Less, amounts not available to be used within one year:		
Net assets with donor restrictions	$ 5,312,910	$ 2,901,754
Less, net assets with purpose restrictions to be met in less than a year	(2,489,066)	(2,467,514)
	$ 2,823,844	$ 434,240
Financial assets available to meet general expenditures over the next twelve months	$ 3,689,457	$ 3,803,881

The Institute regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. The Institute has various sources of liquidity at its disposal, including cash and cash equivalents, grants receivable, due from EPI Policy center, other receivables, and investments.

For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Institute considers all expenditures related to its ongoing activities as well as the conduct of services undertaken to support those activities to be general expenditures.

In addition to financial assets available to meet general expenditures over the next 12 months, the Institute operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources.

Note 12. **Conditional Grants** - The Institute was awarded a multiyear conditional grant. This grant is contingent upon the Institute's achievement of certain goals and deliverables mutually agreed to between the Institute and the donors. Payments will be made to the Institute at various times throughout the year ending December 31, 2020, based on the goals and deliverables established in the grant agreement. The tables below show the change in conditional grants during the years ending December 31, 2019 and 2018.

	2019	2018
Beginning conditional grant balance	$ 250,000	$ --
New conditional grants	170,000	550,000
Conditions satisfied	(335,000)	(300,000)
Ending conditional grant balance	$ 85,000	$ 250,000

Note 13. **Subsequent Events** - The Institute evaluated subsequent events for potential required disclosure through May 29, 2020, which is the date the financial statements were available to be issued. As a result of the COVID-19 Coronavirus, economic uncertainties have arisen.

On May 20, 2020, the Organization received authorization from the Small Business Administration (SBA) for a Paycheck Protection Program loan in the amount of $946,600 to be used for payroll and a portion of rent. The loan bears an interest rate of 1% per annum and is for a period of 2 years from the funding date of the loan. Payments are deferred for the first 6 months and the loan may be forgiven if certain circumstances are met. Financial impact could occur though such potential impact is unknown at this time.