

**Economic Policy Institute
Financial Statements
December 31, 2018 and 2017**

**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, 2018 and 2017, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the 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, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Sygnse, Lember + Co., LLP

September 19, 2019

ECONOMIC POLICY INSTITUTE
STATEMENTS OF FINANCIAL POSITION

	DECEMBER 31,	
ASSETS	2018	2017
CURRENT ASSETS:		
Cash and cash equivalents	\$ 2,200,472	\$ 1,945,633
Investments	50,982	-
Grants receivable, current portion	1,436,666	917,500
Due from EPI Policy Center	164,635	146,594
Other receivables	385,366	119,349
Prepaid expenses	139,347	167,470
TOTAL CURRENT ASSETS	\$ 4,377,468	\$ 3,296,546
NON CURRENT ASSETS:		
Grants receivable, net of current portion	\$ 366,668	\$ -
Property and equipment, net	693,713	788,795
Deposits	279,341	279,341
TOTAL NON CURRENT ASSETS	\$ 1,339,722	\$ 1,068,136
TOTAL ASSETS	\$ 5,717,190	\$ 4,364,682
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	\$ 42,153	\$ 37,422
Accrued payroll and vacation	404,148	378,134
Capital lease obligation, current portion	10,649	9,174
Deferred rent benefit, current portion	7,326	-
TOTAL CURRENT LIABILITIES	\$ 464,276	\$ 424,730
LONG TERM LIABILITIES:		
Capital lease obligation, net of current portion	\$ 26,708	\$ 37,357
Deferred rent benefit, net of current portion	710,607	703,309
TOTAL LONG TERM LIABILITIES	\$ 737,315	\$ 740,666
TOTAL LIABILITIES	\$ 1,201,591	\$ 1,165,396
NET ASSETS:		
Without donor restrictions	\$ 1,613,845	\$ 1,444,154
With donor restrictions	2,901,754	1,755,132
TOTAL NET ASSETS	\$ 4,515,599	\$ 3,199,286
TOTAL LIABILITIES AND NET ASSETS	\$ 5,717,190	\$ 4,364,682

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

ECONOMIC POLICY INSTITUTE

STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED DECEMBER 31,

	2018			2017		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT:						
Grant revenue:						
Foundations	\$ 844,500	\$ 3,714,500	\$ 4,559,000	\$ 295,000	\$ 1,772,632	\$ 2,067,632
Labor unions	-	60,000	60,000	-	274,868	274,868
Corporations and others	-	289,636	289,636	-	185,000	185,000
Public support:						
Labor unions	1,653,100	-	1,653,100	982,500	-	982,500
Corporations/organizations	495,939	-	495,939	454,570	-	454,570
Individuals	459,472	-	459,472	646,967	-	646,967
EPI event:						
Gross revenue	189,131	-	189,131	-	-	-
Less, direct expenses	(107,495)	-	(107,495)	-	-	-
Publication sales and royalties	212,566	-	212,566	18,410	-	18,410
Conference income	34,602	-	34,602	24,202	-	24,202
Rental and other income	169,331	-	169,331	172,637	-	172,637
Net assets released from restrictions	2,917,514	(2,917,514)	-	3,821,303	(3,821,303)	-
TOTAL REVENUE AND SUPPORT	\$ 6,868,660	\$ 1,146,622	\$ 8,015,282	\$ 6,415,589	\$ (1,588,803)	\$ 4,826,786
EXPENSES:						
Programs:						
Research and policy projects	\$ 5,166,275	\$ -	\$ 5,166,275	\$ 4,962,393	\$ -	\$ 4,962,393
Policy development	36,154	-	36,154	33,850	-	33,850
Communications and public outreach	303,139	-	303,139	306,318	-	306,318
Research and program leadership	592,736	-	592,736	577,250	-	577,250
Total programs	<u>\$ 6,098,304</u>	<u>\$ -</u>	<u>\$ 6,098,304</u>	<u>\$ 5,879,811</u>	<u>\$ -</u>	<u>\$ 5,879,811</u>
Supporting Services:						
Management and general	\$ 123,678	\$ -	\$ 123,678	\$ 185,082	\$ -	\$ 185,082
Grant procurement and fundraising	469,663	-	469,663	437,493	-	437,493
Total supporting services	<u>\$ 593,341</u>	<u>\$ -</u>	<u>\$ 593,341</u>	<u>\$ 622,575</u>	<u>\$ -</u>	<u>\$ 622,575</u>
TOTAL EXPENSES	\$ 6,691,645	\$ -	\$ 6,691,645	\$ 6,502,386	\$ -	\$ 6,502,386
CHANGE IN NET ASSETS FROM OPERATIONS	\$ 177,015	\$ 1,146,622	\$ 1,323,637	\$ (86,797)	\$ (1,588,803)	\$ (1,675,600)
OTHER NON-OPERATING INCOME:						
Interest and dividends, net of fees	\$ 5,055	\$ -	\$ 5,055	\$ 5,324	\$ -	\$ 5,324
Realized and unrealized losses	(4,450)	-	(4,450)	-	-	-
TOTAL NON-OPERATING INCOME	\$ 605	\$ -	\$ 605	\$ 5,324	\$ -	\$ 5,324
CHANGE IN NET ASSETS BEFORE PROVISION FOR INCOME TAXES	\$ 177,620	\$ 1,146,622	\$ 1,324,242	\$ (81,473)	\$ (1,588,803)	\$ (1,670,276)
PROVISIONS FOR INCOME TAXES	(7,929)	-	(7,929)	-	-	-
CHANGE IN NET ASSETS AFTER PROVISION OF INCOME TAXES	\$ 169,691	\$ 1,146,622	\$ 1,316,313	\$ (81,473)	\$ (1,588,803)	\$ (1,670,276)
NET ASSETS, BEGINNING OF YEAR	1,444,154	1,755,132	3,199,286	1,525,627	3,343,935	4,869,562
NET ASSETS, END OF YEAR	\$ 1,613,845	\$ 2,901,754	\$ 4,515,599	\$ 1,444,154	\$ 1,755,132	\$ 3,199,286

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				Total
	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	
Salaries and fringe benefits:									
Salaries	\$ 3,075,541	\$ 20,388	\$ 101,675	\$ 325,054	\$ 3,522,658	\$ 41,913	\$ 283,910	\$ 325,823	\$ 3,848,481
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	<u>\$ 3,822,681</u>	<u>\$ 25,340</u>	<u>\$ 126,375</u>	<u>\$ 404,019</u>	<u>\$ 4,378,415</u>	<u>\$ 59,521</u>	<u>\$ 352,880</u>	<u>\$ 412,401</u>	<u>\$ 4,790,816</u>
Bank charges, fees, and other taxes	-	-	-	-	-	1,960	-	1,960	1,960
Books, data, subscriptions and dues	11,456	6,300	36,580	5,164	59,500	-	9,910	9,910	69,410
Conferences and meetings	147,606	90,166	3,102	12,280	253,154	5,513	3,856	9,369	262,523
Delivery and mailings	144	-	520	74	738	2,546	1,015	3,561	4,299
Depreciation	86,258	390	3,099	7,784	97,531	2,023	9,370	11,393	108,924
Equipment rental and maintenance	47	-	428	-	475	-	-	-	475
Insurance	3,895	18	140	352	4,405	-	416	416	4,821
Occupancy	684,248	3,097	24,583	61,747	773,675	14,732	74,328	89,060	862,735
Printing and duplication	796	-	157	90	1,043	-	-	-	1,043
Professional fees	68,361	402	51,748	6,120	126,631	28,219	7,708	35,927	162,558
Researchers and consultants	239,849	8,000	8,798	62,740	319,387	4,482	815	5,297	324,684
Storage	-	-	2,000	-	2,000	3,243	-	3,243	5,243
Supplies and equipment	20,598	8,563	5,367	3,965	38,493	527	2,700	3,227	41,720
Telephone and internet	34,547	153	1,549	3,519	39,768	729	3,690	4,419	44,187
Training	1,475	125	1,554	6,643	9,797	-	87	87	9,884
Travel	31,090	1,081	78	17,951	50,200	115	2,542	2,657	52,857
Website and technology	13,224	14	37,061	288	50,587	68	346	414	51,001
Total expenses by function	<u>\$ 5,166,275</u>	<u>\$ 143,649</u>	<u>\$ 303,139</u>	<u>\$ 592,736</u>	<u>\$ 6,205,799</u>	<u>\$ 123,678</u>	<u>\$ 469,663</u>	<u>\$ 593,341</u>	<u>\$ 6,799,140</u>
Less expenses included with revenues on the statement of activities:									
Cost of direct benefits to donors	-	(107,495)	-	-	(107,495)	-	-	-	(107,495)
Total expenses included in the expense section on the statement of activities	<u>\$ 5,166,275</u>	<u>\$ 36,154</u>	<u>\$ 303,139</u>	<u>\$ 592,736</u>	<u>\$ 6,098,304</u>	<u>\$ 123,678</u>	<u>\$ 469,663</u>	<u>\$ 593,341</u>	<u>\$ 6,691,645</u>

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

ECONOMIC POLICY INSTITUTE
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2017

	Programs				Supporting Services				Total
	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	
Salaries and fringe benefits:									
Salaries	\$ 2,925,710	\$ 19,344	\$ 100,814	\$ 272,689	\$ 3,318,557	\$ 57,889	\$ 266,289	\$ 324,178	\$ 3,642,735
Fringe benefits	707,438	4,677	24,377	65,936	802,428	15,241	64,389	79,630	882,058
Total salaries and fringe benefits	<u>\$ 3,633,148</u>	<u>\$ 24,021</u>	<u>\$ 125,191</u>	<u>\$ 338,625</u>	<u>\$ 4,120,985</u>	<u>\$ 73,130</u>	<u>\$ 330,678</u>	<u>\$ 403,808</u>	<u>\$ 4,524,793</u>
Bank charges, fees, and other taxes	-	-	-	-	-	1,494	-	1,494	1,494
Books, data, subscriptions and dues	6,598	4,944	27,816	4,968	44,326	179	9,182	9,361	53,687
Conferences and meetings	98,372	151	1,513	23,570	123,606	5,565	508	6,073	129,679
Delivery and mailings	1,477	-	597	75	2,149	1,629	814	2,443	4,592
Depreciation	85,559	424	3,755	8,961	98,699	2,402	8,095	10,497	109,196
Equipment rental and maintenance	11,917	62	552	1,316	13,847	353	1,189	1,542	15,389
Insurance	-	-	-	-	-	4,954	-	4,954	4,954
Occupancy	710,883	3,522	31,198	74,451	820,054	30,977	67,260	98,237	918,291
Professional fees	43,917	209	56,117	85,899	186,142	46,817	3,993	50,810	236,952
Re-grants	30,000	-	-	-	30,000	-	-	-	30,000
Researchers and consultants	217,714	-	6,664	11,200	235,578	699	-	699	236,277
Storage	-	-	1,000	-	1,000	3,311	-	3,311	4,311
Supplies and equipment	6,370	109	766	2,918	10,163	11,230	363	11,593	21,756
Telephone and internet	33,891	163	2,063	5,677	41,794	921	3,123	4,044	45,838
Temporary assistance	3,000	-	-	-	3,000	-	-	-	3,000
Training	1,927	-	14,685	3,889	20,501	605	623	1,228	21,729
Travel	48,380	178	640	15,374	64,572	108	11,665	11,773	76,345
Website and technology	29,240	67	33,761	327	63,395	708	-	708	64,103
TOTALS	<u><u>\$ 4,962,393</u></u>	<u><u>\$ 33,850</u></u>	<u><u>\$ 306,318</u></u>	<u><u>\$ 577,250</u></u>	<u><u>\$ 5,879,811</u></u>	<u><u>\$ 185,082</u></u>	<u><u>\$ 437,493</u></u>	<u><u>\$ 622,575</u></u>	<u><u>\$ 6,502,386</u></u>

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

ECONOMIC POLICY INSTITUTE
STATEMENTS OF CASH FLOWS

	FOR THE YEARS ENDED DECEMBER 31,	
	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from contributions, grants, and other	\$ 6,845,390	\$ 5,706,502
Cash paid to suppliers, employees, and for re-grants	(6,518,403)	(6,327,036)
Donated securities	(55,390)	-
Interest received	5,055	5,324
Provision for federal taxes	(7,929)	-
NET CASH PROVIDED BY (USED IN)		
OPERATING ACTIVITIES	\$ 268,723	\$ (615,210)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	\$ (13,842)	\$ (3,523)
Reinvested earnings	(42)	-
NET CASH USED IN		
INVESTING ACTIVITIES	\$ (13,884)	\$ (3,523)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	\$ 254,839	\$ (618,733)
CASH AND CASH EQUIVALENTS:		
BEGINNING OF YEAR	1,945,633	2,564,366
END OF YEAR	\$ 2,200,472	\$ 1,945,633
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:		
Change in net assets	\$ 1,316,313	\$ (1,670,276)
Adjustments:		
Depreciation	108,924	109,196
Donated securities	(55,390)	-
Unrealized loss	4,450	-
Changes in assets and liabilities:		
Grants receivable	(885,834)	1,203,570
Due from EPI Policy Center	(18,041)	(207,320)
Other receivables	(266,017)	(116,534)
Prepaid expenses	28,123	(11,734)
Accounts payable and accrued expenses	4,731	5,838
Accrued payroll and vacation	26,014	43,950
Capital lease obligation	(9,174)	(7,904)
Deferred rent benefit	14,624	36,004
NET CASH PROVIDED BY (USED IN)		
OPERATING ACTIVITIES	\$ 268,723	\$ (615,210)

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

ECONOMIC POLICY INSTITUTE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

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 - Grants and public support are recognized in accordance with the provisions of Financial Accounting Standards Board Accounting Standards Codification topic, *Accounting for Contributions Received and Contributions Made*. Contributions received, including unconditional promises to give, are recognized at the earlier of when they are received or unconditionally pledged. The Institute recognizes conference and event income in the year the conference or event takes place. Publication sales, royalties, rental, and other income are recognized over the period in which they are earned.

The Institute reports gifts of cash and other assets as support with donor restriction if they are received with donor stipulations that limit the use of the donated assets.

ECONOMIC POLICY INSTITUTE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

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 with donor restricted support.

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.

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.

Receivable - Grants receivable represent restricted 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 and unrestricted contributions. Receivables are carried at their original amount less an estimate for doubtful receivables based on an annual review of all outstanding amounts. For the years ended December 31, 2018 and 2017, 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, 2017 since the Institute had no taxable income from unrelated business activities.

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.

ECONOMIC POLICY INSTITUTE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

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

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, 2018 and 2017, 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 2015 through 2017 are open to such examination.

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:

<u>Expenses</u>	<u>Method of Allocation</u>
Salaries and fringe benefits	Time and effort
Depreciation	Full time equivalent
Equipment rental and maintenance	Full time equivalent
Insurance	Full time equivalent
IT support	Full time equivalent
Occupancy	Full time equivalent
Software licensing	Full time equivalent
Office supplies	Full time equivalent
Telephone and internet	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.

ECONOMIC POLICY INSTITUTE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

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

New Accounting Pronouncement - On August 18, 2016, FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) - Presentation of Financial Statements of Not-for-Profit Entities. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. Net assets previously reported as unrestricted are now reported as without donor restriction, net assets previously reported as temporarily restricted and permanently restricted are now reported as with donor restriction and investment fees are netted against investment revenue on the Statements of Activities. The Institute, has adjusted the presentation of these statements accordingly, and the ASU has been applied retrospectively to all periods presented.

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:

	2018	2017
Due in less than one year	\$ 1,436,666	\$ 917,500
Due in one to five years	366,668	--
Total grants receivable	\$ 1,803,334	\$ 917,500

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. Investments recorded in the statements of financial position are categorized based on the inputs to valuation techniques as follows:

ECONOMIC POLICY INSTITUTE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

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

- 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 not have an active market.

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

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Common stock	\$ 50,940	\$ --	\$ --	\$ 50,940
Subtotals	<u>\$ 50,940</u>	<u>\$ --</u>	<u>\$ --</u>	\$ 50,940
Cash				<u>42</u>
Totals				<u>\$ 50,982</u>

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:

	<u>2018</u>	<u>2017</u>
Equipment	\$ 340,604	\$ 334,920
Furniture	374,925	373,164
Software	188,740	188,740
Leasehold improvements	<u>351,275</u>	<u>344,875</u>
Subtotals	\$ 1,255,544	\$ 1,241,699
Less, Accumulated depreciation	<u>(561,831)</u>	<u>(452,904)</u>
Totals	<u>\$ 693,713</u>	<u>\$ 788,795</u>

ECONOMIC POLICY INSTITUTE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

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, 2018 and 2017 totaled \$325,605 and \$316,636, respectively.

Note 7. **Commitments** - In 2015, the Institute signed a new ten-year and nine month office lease which starts on April 1, 2016 and ends on December 31, 2026. The office lease contains an annual 2.5% escalation clause and includes nine months free rent, 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, 2018, the lease terms range from month-to-month to 5 years.

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

<u>Year</u>	<u>Amount</u>	<u>Sublease</u>
2019	\$ 897,067	\$ 122,668
2020	919,446	125,734
2021	942,349	31,626
2022	965,823	--
2023	990,011	--
Thereafter	<u>3,121,161</u>	<u>--</u>
Totals	<u>\$ 7,835,857</u>	<u>\$ 280,028</u>

Rent expense for the years ended December 31, 2018 and 2017 totaled \$862,735 and \$907,274, respectively. Rental income for the years ended December 31, 2018 and 2017 totaled \$169,330 and \$172,612, 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, 2018 for \$54,435. Accumulated amortization on the leased equipment at December 31, 2018 and 2017 was \$21,774 and \$13,609, respectively. Amortization of the asset under the capitalized lease is included in depreciation expense. Future minimum lease payments are as follows:

<u>Year</u>	<u>Amount</u>
2019	\$ 15,540
2020	15,540
2021	<u>15,540</u>
Total	\$ 46,620
Less, amount representing interest	<u>9,263</u>
Present value of minimum lease payments	<u>\$ 37,357</u>

ECONOMIC POLICY INSTITUTE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

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

	2018	2017
Time Restrictions:		
General Support	\$ 385,417	\$ 566,667
Purpose Restrictions:		
Retirement Security	\$ --	\$ 33,882
Color of Law Book Costs	7,587	--
Immigration Policy	--	29,583
Labor Policy	10,417	--
Fiscal Policy	250,000	--
Education Project	--	100,000
Program on Race, Ethnicity, and the Economy	--	96,667
Living Standards Program	630,000	658,333
Trade Policy	70,000	70,000
Economic Analysis and Research Network	1,023,333	75,000
Macroeconomics Program	525,000	125,000
Total Purpose Restrictions	\$ 2,516,337	\$ 1,188,465
Totals	\$ 2,901,754	\$ 1,755,132

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, 2018 and 2017, personnel costs and shared office expenses were \$160,528 and \$141,862, respectively.

Note 11. **Availability and Liquidity** - The following represents the Institute's financial assets at December 31, 2018 and 2017:

	2018	2017
Financial assets at year end:		
Cash and cash equivalents	\$ 2,200,472	\$ 1,945,633
Other receivables and grants receivable, current net	1,986,667	1,183,443
Investments	50,982	--
Total current financial assets	\$ 4,238,121	\$ 3,129,076
Less, amounts not available to be used within one year:		
Net assets with donor restrictions	\$ 2,901,754	\$ 1,755,132
Less, net assets with purpose restrictions to be met in less than a year	(2,467,514)	(1,755,132)
	\$ 434,240	\$ --
Financial assets available to meet general expenditures over the next twelve months	\$ 3,803,881	\$ 3,129,076

ECONOMIC POLICY INSTITUTE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

Note 11. **Availability and Liquidity** (Continued)

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 and 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, 2018 and 2017.

	<u>2018</u>	<u>2017</u>
Beginning conditional grant balance	\$ --	\$ --
New conditional grants	550,000	--
Conditions satisfied	<u>(300,000)</u>	--
Ending conditional grant balance	<u>\$ 250,000</u>	<u>\$ --</u>

Note 13. **Subsequent Events** - The Institute evaluated subsequent events for potential required disclosure through September 19, 2019, which is the date the financial statements were available to be issued.

Form **990**

Return of Organization Exempt From Income Tax

OMB No. 1545-0047

Under section 501(c), 527, or 4947(a)(1) of the Internal Revenue Code (except private foundations)

2018

Department of the Treasury
Internal Revenue Service

Do not enter social security numbers on this form as it may be made public.
Go to www.irs.gov/Form990 for instructions and the latest information.

Open to Public Inspection

A For the 2018 calendar year, or tax year beginning and ending

B Check if applicable: <input type="checkbox"/> Address change <input type="checkbox"/> Name change <input type="checkbox"/> Initial return <input type="checkbox"/> Final return/terminated <input type="checkbox"/> Amended return <input type="checkbox"/> Application pending	C Name of organization ECONOMIC POLICY INSTITUTE		D Employer identification number 52-1368964
	Doing business as		E Telephone number (202) 775-8810
	Number and street (or P.O. box if mail is not delivered to street address)	Room/suite	G Gross receipts \$ 8,127,832.
	1225 EYE STREET, NW	600	
	City or town, state or province, country, and ZIP or foreign postal code WASHINGTON, DC 20005		H(a) Is this a group return for subordinates? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
F Name and address of principal officer: THEA LEE SAME AS C ABOVE		H(b) Are all subordinates included? <input type="checkbox"/> Yes <input type="checkbox"/> No	
I Tax-exempt status: <input checked="" type="checkbox"/> 501(c)(3) <input type="checkbox"/> 501(c) () (insert no.) <input type="checkbox"/> 4947(a)(1) or <input type="checkbox"/> 527		If "No," attach a list. (see instructions)	
J Website: WWW.EPI.ORG		H(c) Group exemption number ▶	
K Form of organization: <input checked="" type="checkbox"/> Corporation <input type="checkbox"/> Trust <input type="checkbox"/> Association <input type="checkbox"/> Other ▶		L Year of formation: 1984	M State of legal domicile: DC

Part I Summary

Activities & Governance	1 Briefly describe the organization's mission or most significant activities: TO INFORM AND EMPOWER INDIVIDUALS TO SEEK SOLUTIONS THAT ENSURE BROADLY SHARED PROSPERITY
	2 Check this box <input type="checkbox"/> if the organization discontinued its operations or disposed of more than 25% of its net assets.
	3 Number of voting members of the governing body (Part VI, line 1a) 3 30
	4 Number of independent voting members of the governing body (Part VI, line 1b) 4 29
	5 Total number of individuals employed in calendar year 2018 (Part V, line 2a) 5 47
	6 Total number of volunteers (estimate if necessary) 6 0
	7 a Total unrelated business revenue from Part VIII, column (C), line 12 7a 0.
b Net unrelated business taxable income from Form 990-T, line 38 7b 26,826.	
Revenue	8 Contributions and grants (Part VIII, line 1h) Prior Year 4,611,537. Current Year 7,677,597.
	9 Program service revenue (Part VIII, line 2g) 42,612. 247,168.
	10 Investment income (Part VIII, column (A), lines 3, 4, and 7d) 5,324. 5,055.
	11 Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e) 172,637. 90,517.
	12 Total revenue - add lines 8 through 11 (must equal Part VIII, column (A), line 12) 4,832,110. 8,020,337.
	Expenses
14 Benefits paid to or for members (Part IX, column (A), line 4) 0. 0.	
15 Salaries, other compensation, employee benefits (Part IX, column (A), lines 5-10) 4,524,792. 4,790,818.	
16a Professional fundraising fees (Part IX, column (A), line 11e) 0. 0.	
b Total fundraising expenses (Part IX, column (D), line 25) ▶ 469,664.	
17 Other expenses (Part IX, column (A), lines 11a-11d, 11f-24e) 1,947,594. 1,908,756.	
18 Total expenses. Add lines 13-17 (must equal Part IX, column (A), line 25) 6,502,386. 6,699,574.	
19 Revenue less expenses. Subtract line 18 from line 12 -1,670,276. 1,320,763.	
Net Assets or Fund Balances	20 Total assets (Part X, line 16) Beginning of Current Year 4,364,682. End of Year 5,717,190.
	21 Total liabilities (Part X, line 26) 1,165,396. 1,201,591.
	22 Net assets or fund balances. Subtract line 21 from line 20 3,199,286. 4,515,599.

Part II Signature Block

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than officer) is based on all information of which preparer has any knowledge.

Sign Here	Signature of officer	Date			
	THEA LEE, PRESIDENT Type or print name and title				
Paid Preparer Use Only	Print/Type preparer's name TRACY M. MOREY	Preparer's signature <i>Tracy M. Morey</i>	Date	Check if self-employed <input type="checkbox"/>	PTIN P01593478
	Firm's name ▶ SQUIRE, LEMKIN + COMPANY LLP	Firm's EIN ▶ 52-2041603	Firm's address ▶ 111 ROCKVILLE PIKE, SUITE 475 ROCKVILLE, MD 20850		
			Phone no. 301-424-6800		

May the IRS discuss this return with the preparer shown above? (see instructions) Yes No