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THE POLICY CIRCLE, CO.  
FINANCIAL STATEMENTS  
Together with Independent Auditors' Report  
DECEMBER 31, 2019 AND 2018

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of  
The Policy Circle, Co.:

We have audited the accompanying financial statements of The Policy Circle, Co. (an Indiana not-for-profit corporation) (TPC), 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 audits 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 auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion the financial statements referred to above present fairly, in all material respects, the financial position of TPC, as of December 31, 2019 and 2018, and the change 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.

*Greenwalt CPAs, Inc.*

March 18, 2020

THE POLICY CIRCLE, CO.  
 STATEMENTS OF FINANCIAL POSITION  
 DECEMBER 31, 2019 AND 2018

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**ASSETS**

	<b>2019</b>	<b>2018</b>
<b>CURRENT ASSETS</b>		
Cash	\$ 266,173	\$ 330,964
Grant receivable	52,500	-
Contributions receivable	-	6,135
Other receivables	751	1,000
Prepaid expenses	2,917	2,427
	<hr/>	<hr/>
<i>Total current assets</i>	322,341	340,526
	<hr/>	<hr/>
<b>WEBSITE</b>		
Website	103,446	103,446
Accumulated amortization	(77,585)	(62,068)
	<hr/>	<hr/>
<i>Net website</i>	25,861	41,378
	<hr/>	<hr/>
<b>OTHER ASSETS</b>	6,485	6,485
	<hr/>	<hr/>
	<u>\$ 354,687</u>	<u>\$ 388,389</u>

**LIABILITIES AND NET ASSETS**

<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 39,901	\$ 32,248
<b>NET ASSETS</b>		
Net assets without donor restrictions	262,286	351,141
Net assets with donor restrictions	52,500	5,000
	<hr/>	<hr/>
<i>Total net assets</i>	314,786	356,141
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<i>Total liabilities and net assets</i>	<u>\$ 354,687</u>	<u>\$ 388,389</u>

THE POLICY CIRCLE, CO.  
STATEMENTS OF ACTIVITIES  
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	2019 <u>Total</u>	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	2018 <u>Total</u>
<b>REVENUE AND SUPPORT</b>						
Contributions	\$ 938,940	\$ 52,500	\$ 991,440	\$ 929,712	\$ 5,000	\$ 934,712
In-kind revenue	87,000	-	87,000	176,225	-	176,225
Events	25,938	-	25,938	21,082	-	21,082
<i>Total revenue and support</i>	<u>1,051,878</u>	<u>52,500</u>	<u>1,104,378</u>	<u>1,127,019</u>	<u>5,000</u>	<u>1,132,019</u>
<b>NET ASSETS RELEASED FROM RESTRICTIONS</b>	<u>5,000</u>	<u>(5,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>EXPENSES</b>						
Program	1,030,115	-	1,030,115	745,566	-	745,566
Management and general	115,618	-	115,618	153,135	-	153,135
Fundraising	-	-	-	60,000	-	60,000
<i>Total expenses</i>	<u>1,145,733</u>	<u>-</u>	<u>1,145,733</u>	<u>958,701</u>	<u>-</u>	<u>958,701</u>
<b>CHANGE IN NET ASSETS</b>	(88,855)	47,500	(41,355)	168,318	5,000	173,318
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>351,141</u>	<u>5,000</u>	<u>356,141</u>	<u>182,823</u>	<u>-</u>	<u>182,823</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 262,286</u>	<u>\$ 52,500</u>	<u>\$ 314,786</u>	<u>\$ 351,141</u>	<u>\$ 5,000</u>	<u>\$ 356,141</u>

See accompanying notes to financial statements.

THE POLICY CIRCLE, CO.  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2019

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	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Personnel costs	\$ 425,620	\$ 16,872	\$ -	442,492
Professional fees	110,588	76,719	-	187,307
Events	251,338	-	-	251,338
Office space	-	18,000	-	18,000
Technology	159,668	3,867	-	163,535
Marketing	28,430	-	-	28,430
Insurance	5,929	160	-	6,089
Other	48,542	-	-	48,542
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Total expenses</i>	<u>\$ 1,030,115</u>	<u>\$ 115,618</u>	<u>\$ -</u>	<u>\$ 1,145,733</u>

THE POLICY CIRCLE, CO.  
 STATEMENT OF FUNCTIONAL EXPENSES  
 FOR THE YEAR ENDED DECEMBER 31, 2018

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	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Personnel costs	\$ 144,989	\$ 53,395	\$ -	\$ 198,384
Professional fees	256,518	59,401	60,000	375,919
Events	43,863	236	-	44,099
Office space	14,635	3,365	-	18,000
Technology	168,019	-	-	168,019
Program development	36,919	408	-	37,327
Marketing	55,500	-	-	55,500
Insurance	6,727	1,547	-	8,274
Other	18,396	34,783	-	53,179
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Total expenses</i>	<u>\$ 745,566</u>	<u>\$ 153,135</u>	<u>\$ 60,000</u>	<u>\$ 958,701</u>

CHANGE IN CASH

	<u>2019</u>	<u>2018</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from grants and contributions	\$ 1,058,262	\$ 1,124,884
Cash paid to vendors, employees and contractors	<u>(1,123,053)</u>	<u>(940,282)</u>
<i>Net cash provided by (used in) operating activities</i>	<u>(64,791)</u>	<u>184,602</u>
<b>CHANGE IN CASH</b>	(64,791)	184,602
<b>CASH, BEGINNING OF YEAR</b>	<u>330,964</u>	<u>146,362</u>
<b>CASH, END OF YEAR</b>	<u><u>\$ 266,173</u></u>	<u><u>\$ 330,964</u></u>

RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH  
PROVIDED BY (USED) IN OPERATING ACTIVITIES

	<u>2019</u>	<u>2018</u>
CHANGE IN NET ASSETS	<u>\$ (41,355)</u>	<u>\$ 173,318</u>
ADJUSTMENTS TO RECONCILE CHANGE IN NET ASSETS TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
Amortization expense	15,517	15,517
<i>(Increase) decrease in operating assets:</i>		
Grant receivable	(52,500)	-
Contributions receivable	6,135	(6,135)
Other receivables	249	(1,000)
Prepaid expenses	(490)	2,057
 <i>Increase in operating liabilities:</i>		
Accounts payable and accrued expenses	<u>7,653</u>	<u>845</u>
 <i>Total adjustments</i>	<u>(23,436)</u>	<u>11,284</u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>\$ (64,791)</u>	<u>\$ 184,602</u>

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

NATURE OF OPERATIONS

The Policy Circle, Co. (TPC) is an Indiana not-for-profit corporation whose mission and vision is women across the Nation are connected and engaged in their communities, openly share their views and take a leadership role in public policy dialogue on what human creativity can accomplish in a free market economy. Policy Circles across the Nation are started by women who have a mind of their own and, who believe in everyone's capacity for choosing what is best for themselves, their family and their community. TPC's main source of revenue is contributions.

BASIS OF ACCOUNTING AND USE OF ESTIMATES

The accompanying financial statements have been prepared on the accrual basis of accounting. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of the revenues, expenses, gains, losses and other changes in net assets during the reporting period. Actual results could differ from those estimates.

CASH AND CASH EQUIVALENTS

Cash consists of a checking account. For purposes of the statements of cash flows, TPC considers all highly liquid investments with maturities of three months or less to be cash equivalents. There were no cash equivalents at December 31, 2019 and 2018. At December 31, 2019 and 2018, TPC held cash in excess of the Federal Deposit Insurance Corporation limit (\$250,000) of \$52,662 and \$93,551, respectively.

WEBSITE

TPC accounts for website development costs in accordance with Accounting Standards Codification 350-50 "Website Development Costs". Accordingly, all costs incurred in the planning stage are expensed as incurred, costs incurred in the website application and infrastructure development stage that meet specific criteria are capitalized and costs incurred in the day to day operation of the website are expensed as incurred. The website is being amortized over 7 years. Amortization expense in both 2019 and 2018 was \$15,517.

CONTRIBUTIONS AND GRANTS

Contributions and grants are recognized when the donor makes an unconditional promise to give to TPC and are recorded at their fair values as revenues and assets in the period promised. Conditional contributions and grants are recognized when the condition has been met. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities.

Grant receivable was due in less than one year at December 31, 2019. Contributions receivable were due in less than one year at December 31, 2018.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

NET ASSETS

As required by Accounting Standards for the Presentation of Financial Statements of Not-For-Profit Organizations, TPC reports information regarding the changes in and total of each of the net asset classes, based upon donor restrictions, as applicable. TPC maintains the following classifications of net assets:

Net Assets without Donor Restrictions (Unrestricted)

Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of TPC. These include revenue and expenses from the regular operations of TPC, which are at the discretion of management and the Board of Directors.

Net Assets with Donor Restrictions (Temporarily Restricted)

Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Net assets with donor restrictions of \$52,500 and \$5,000 at December 31, 2019 and 2018, respectively had implied time restrictions related to receivables.

EXPENSE ALLOCATION

Expenses have been classified as program, management and general and fundraising based on the actual direct expenditures and cost allocation based on estimates of time usage by TPC personnel and programs. During 2019, the founding members of the Board of Directors performed fundraising activities on a pro bono basis. TPC is in the process of recruiting additional board members and expertise to assist with fundraising efforts.

MARKETING

TPC uses marketing to promote its programs. Marketing costs are expensed as incurred. Marketing expense for 2019 and 2018 was \$28,430 and \$55,500, respectively.

TAX STATUS

TPC is a not-for-profit organization, exempt from federal income taxes under Section 501(c)(3) of the U.S. Internal Revenue Code, and is not considered to be a private foundation as defined by Section 509(a) of the Internal Revenue Code.

SUBSEQUENT EVENTS

Subsequent events have been evaluated by management through March 18, 2020 which is the date the financial statements were available to be issued.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

NEW ACCOUNTING PRONOUNCEMENT

TPC has adopted ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* as of January 1, 2019. The ASU provided clarified guidance to assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. The Organization applied the update on a modified prospective basis to agreements that were either not completed as of the effective date or entered into as of the effective date. The application of the update had no impact on net assets as of January 1, 2019.

TPC has adopted ASU 2016-18 *Restricted Cash* during 2019. The update requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents and amounts generally described as restricted cash or restricted cash equivalents. The update also requires restricted cash and restricted cash equivalents to be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown in the statement of cash flows. The Organization applied the update retrospectively, however, the update had no impact on the presentation of the 2018 statement of cash flows.

TPC has adopted ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606) as of and for the year ended December 31, 2019. The ASU and all subsequently issued clarifying ASU's replaced most existing revenue recognition guidance in U.S. GAAP. The ASU also required expanded disclosures related to the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The update provides companies with a single revenue recognition model for recognizing revenue with customers; specifically requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. Analysis of various provisions of this standard resulted in no significant changes in the way TPC recognized revenue; and therefore no changes to previously issued financial statements were required on a retrospective basis.

2. LIQUIDITY AND AVAILABILITY

TPC considers contributions without donor restrictions and contributions with donor restrictions for use in current operations to be available to meet cash needs for general expenditures. General expenditures include program, management and general and fundraising expenses expected to be paid in the next fiscal year. The following represents TPC's financial assets at December 31:

Financial assets at year-end:	<u>2019</u>	<u>2018</u>
Cash	\$ 266,173	\$ 330,964
Contributions and other receivables	<u>53,251</u>	<u>7,135</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 319,424</u>	<u>\$ 338,099</u>

As part of TPC's liquidity management, it has a policy to structure its financial assets as its general expenditures and other obligations become due.

3. **IN-KIND CONTRIBUTIONS**

TPC received donated professional and technology services of \$69,000 as well as donated office space of \$18,000 for the year ended December 31, 2019. These amounts have been treated as non-cash transactions and have been excluded from the statements of cash flows.

4. **SIMPLE IRA RETIREMENT PLAN**

During 2018, TPC began sponsoring a Simple IRA retirement plan covering qualified employees, as defined. TPC matches the employee's contribution up to a maximum of three percent of the eligible employee's compensation. TPC contributed approximately \$7,500 in matching Simple IRA contributions for 2019. There were no contributions in 2018.

5. **CONCENTRATION**

TPC received significant support from its founders in 2018 that represented 21% of total revenue and support. No such concentration existed in 2019.