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# INDEPENDENT AUDITOR'S REPORT

The Audit Committee
Center for Arizona Policy, Inc. and Affiliate
Phoenix, Arizona

I have audited the accompanying consolidated financial statements of Center for Arizona Policy, Inc. (an Arizona nonprofit corporation) and Affiliate, which comprise the consolidated statements of financial position as of December 31, 2020 and 2019, and the related consolidated statements of activities and cash flows for the years then ended, and the statement of functional expenses for the year ended December 31, 2020 with summarized comparative totals for the year ended December 31, 2019, and the related notes to the consolidated financial statements.

***Management's Responsibility for the Financial Statements***
Management is responsible for the preparation and fair presentation of these consolidated 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.

***Auditor's Responsibility***
My responsibility is to express an opinion on these consolidated financial statements based on my audits. I conducted my audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that I 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 consolidated financial statements. The procedures selected depend on the auditor's 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 consolidated 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, I 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 consolidated financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

## INDEPENDENT AUDITOR'S REPORT (continued)

***Opinion***
In my opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Center for Arizona Policy, Inc. and Affiliate as of December 31, 2020 and 2019, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

***Summarized Comparative Information***
I previously audited Center For Arizona Policy, Inc. and Affiliate's December 31, 2019 financial statements and in my opinion dated November 10, 2020, stated that based on my audit, the financial statements present fairly, in all material respects, the financial position of Center For Arizona Policy, Inc. and Affiliate as of December 31, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. I am not aware of any material modifications that should be made to the statement of functional expenses summarized comparative information presented herein for the year ended December 31, 2019, for it to be consistent with the audited financial statement from which it has been derived.

Monica J. Stern, CPA, PLLC

November 16, 2021

Center for Arizona Policy, Inc. and Affiliate
Consolidated Statements of Financial Position
December 31, 2020 and 2019

| | December 31, 2020 | December 31, 2019 |
|---|---|---|
| **Assets** | | |
| Current assets: | | |
| Cash and cash equivalents | $2,194,997 | $1,099,312 |
| Tax refunds receivable | 891 | 1,741 |
| Promises to give receivable | 99,990 | - |
| Investments | 25 | 22 |
| Prepaid expenses | 35,315 | 35,652 |
| Total current assets | 2,331,218 | 1.136,727 |
| Property and equipment, net | 14,425 | 17,215 |
| Deposits | 8,100 | 8,100 |
| Total assets | $2,353,743 | $1,162,042 |
| **Liabilities** | | |
| Current liabilities: | | |
| Accounts payable | $ 19,042 | $ 30,577 |
| Accrued compensated absences | 28,177 | 8,646 |
| Deferred rent - current portion | 19,545 | 24,077 |
| Total current liabilities | 66,764 | 63,300 |
| Deferred rent, net of current portion | - | 19,545 |
| Total liabilities | 66,764 | 82,845 |
| **Net Assets** | | |
| Without donor restrictions | 2,159,073 | 1,014,779 |
| With donor restrictions | 127,906 | 64,418 |
| Total net assets | 2,286,979 | 1,079,197 |
| Total liabilities and net assets | $2,353,743 | $1,162,042 |

See accompanying notes to the consolidated financial statements.

Center for Arizona Policy, Inc. and Affiliate
Consolidated Statements of Activities
For the years ended December 31, 2020 and 2019

| | December 31, 2020 | | | December 31, 2019 | | |
|---|---|---|---|---|---|---|
| | Without Donor Restrictions | With Donor Restrictions | Total | Without Donor Restrictions | With Donor Restrictions | Total |
| Support and revenue: | | | | | | |
| Contributions | $3,597,207 | $ 172,513 | $3,769,720 | $2,181,953 | $124,111 | $2,306,064 |
| Contributions in-kind | 814 | - | 814 | - | - | - |
| Program fees | - | - | - | 2,988 | - | 2,988 |
| Special event fees | - | - | - | 95,700 | - | 95,700 |
| SBA grant income (PPP) | 193,000 | - | 193,000 | - | - | - |
| Interest and dividend income | 2,522 | - | 2,522 | 2,571 | - | 2,571 |
| Loss on disposal of assets | (409) | - | (409) | - | - | - |
| | 3,793,134 | 172,513 | 3,965,647 | 2,283,212 | 124,111 | 2,407,323 |
| Net assets released from restrictions: | | | | | | |
| Satisfaction by payment | 109,025 | (109,025) | - | 59,693 | (59,693) | - |
| Total support and revenue | 3,902,159 | 63,488 | 3,965,647 | 2,342,905 | 64,418 | 2,407,323 |
| Expenses: | | | | | | |
| Program services: | | | | | | |
| Education and advocacy | 1,915,431 | - | 1,915,431 | 1,269,863 | - | 1,269,863 |
| Total program services | 1,915,431 | - | 1,915,431 | 1,269,863 | - | 1,269,863 |
| Supporting services: | | | | | | |
| Administration | 442,835 | - | 442,835 | 390,423 | - | 390,423 |
| Fundraising | 399,599 | - | 399,599 | 372,982 | - | 372,982 |
| Direct benefits to donors | - | - | - | 44,093 | - | 44,093 |
| Total supporting services | 842,434 | - | 842,434 | 807,498 | - | 807,498 |
| Total expenses | 2,757,865 | - | 2,757,865 | 2,077,361 | - | 2,077,361 |
| Change in net assets | $1,144,294 | $ 63,488 | $1,207,782 | $ 265,544 | $ 64,418 | $ 329,962 |
| Net assets, beginning of year | 1,014,779 | 64,418 | 1,079,197 | 749,235 | - | 749,235 |
| Net assets, end of year | $2,159,073 | $127,906 | $2,286,979 | $1,014,779 | $ 64,418 | $1,079,197 |

See accompanying notes to the consolidated financial statements.

Center for Arizona Policy, Inc. and Affiliate

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Statement of Functional Expenses
For the year ended December 31, 2020
(with summarized comparative totals for the year ended December 31, 2019)

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| | Program Services | Supporting Services | | | | Totals | |
|---|---|---|---|---|---|---|---|
| | Education and Advocacy | Admin- istration | Fund- raising | Direct Benefits to Donors | Total | 2020 | 2019 |
| Salaries and wages | $ 661,341 | $249,869 | $108,213 | $ - | $358,082 | $1,019,423 | $ 971,726 |
| Employee benefits | 48,226 | 18,597 | 8,066 | - | 26,663 | 74,889 | 69,930 |
| Payroll taxes | 45,952 | 17,251 | 7,514 | - | 24,765 | 70,717 | 67,957 |
| TOTAL EMPLOYEE RELATED EXPENSES | 755,519 | 285,717 | 123,793 | - | 409,510 | 1,165,029 | 1,109,613 |
| Grants to organizations | 78,548 | - | - | - | - | 78,548 | - |
| Accounting | - | 64,454 | - | - | 64,454 | 64,454 | 47,184 |
| Legal | 25,624 | - | - | - | - | 25,624 | 4,168 |
| Professional services | 579,483 | - | 189,050 | - | 189,050 | 768,533 | 131,193 |
| Advertising and promotion | 5,860 | 452 | 21,920 | - | 22,372 | 28,232 | 99,960 |
| Office expenses | 93,377 | 43,733 | 19,458 | - | 63,191 | 156,568 | 127,434 |
| Information technology | 44,697 | 7,745 | 22,190 | - | 29,935 | 74,632 | 113,111 |
| Travel | 12,222 | 877 | 3,520 | - | 4,397 | 16,619 | 20,530 |
| Insurance | 7,782 | 10,052 | 474 | - | 10,526 | 18,308 | 13,682 |
| Conferences and meetings | 36,988 | 723 | 6,893 | - | 7,616 | 44,604 | 297,175 |
| Occupancy | 69,005 | 26,677 | 11,315 | - | 37,992 | 106,997 | 105,532 |
| Depreciation | 5,990 | 2,405 | 986 | - | 3,391 | 9,381 | 7,779 |
| Voter guide | 200,336 | - | - | - | - | 200,336 | - |
| TOTAL EXPENSES | $1,915,431 | $442,835 | $399,599 | $ - | $842,434 | $2,757,865 | $2,077,361 |

See accompanying notes to the consolidated financial statements.

Center for Arizona Policy, Inc. and Affiliate
Consolidated Statements of Cash Flows
For the years ended December 31, 2020 and 2019

| | December 31, 2020 | 2019 |
|---|---|---|
| Cash flows from operating activities: | | |
| Increase in net assets | $1,207,782 | $ 329,962 |
| Adjustments to reconcile increase in net assets assets to net cash provided by operating activities: | | |
| Depreciation | 9,381 | 7,779 |
| Loss on disposal of assets | 409 | - |
| (Increase) decrease in promises to give receivable | (99,990) | - |
| (Increase) decrease in tax refunds receivable | 850 | (1,741) |
| Increase (decrease) in deferred lease incentive receivable | - | 28,434 |
| (Increase) decrease in prepaid expenses | 337 | 16,959 |
| Increase (decrease) in accounts payable | (11,535) | 6,578 |
| Increase (decrease) in accrued payroll | - | (13,500) |
| Increase (decrease) in accrued compensated absences | 19,531 | (5,143) |
| Increase (decrease) in deferred rent | (24,077) | (49,866) |
| Net cash provided by operating activities | 1,102,688 | 319,462 |
| Cash flows from investing activities: | | |
| Purchases of property and equipment | (7,000) | (14,400) |
| Purchase of investments | (3) | (3) |
| Net cash used in investing activities | (7,003) | (14,403) |
| Cash flows from financing activities: | - | - |
| Net increase in cash, cash equivalents and restricted/designated cash | $1,095,685 | $ 305,059 |
| Cash, cash equivalents and restricted/designated cash, beginning | 1,099,312 | 794,253 |
| Cash, cash equivalents and restricted/designated cash, ending | $2,194,997 | $1,099,312 |

See accompanying notes to the consolidated financial statements.

## (1) Summary of Significant Accounting Policies

The financial statements of Center for Arizona Policy, Inc. and Affiliate have been prepared in accordance with accounting principles generally accepted in the United States of America. Other significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

### Nature of Activities

Center for Arizona Policy, Inc. was established on September 22, 1988. Center for Arizona Policy, Inc.'s primary exempt purpose is to promote and defend public policy that protects life, strengthens marriage and family, and affirms religious liberty. By standing for these foundational values, Center for Arizona Policy, Inc. hopes to make Arizona a better place to raise a family.

Center for Arizona Policy Action was established on September 11, 2000 primarily to promote the common good and general welfare of the people of Arizona and specifically for the purpose of educating the public and making recommendations to legislative bodies on various public policy issues pertaining to the sanctity of life, marriage, the family, and religious freedom. Center for Arizona Policy, Inc. and Center for Arizona Policy Action share a common board.

Love Your School AZ, LLC, a limited liability company whose sole member was Center for Arizona Policy, Inc., was formed in March 2019 and dissolved in May 2020. Love Your School AZ, LLC shared Center for Arizona Policy, Inc.'s purpose and was organized exclusively for charitable and educational purposes within the meaning of Section 501(c)(3) of the Code, including, for such purposes, but not limited to the development, ownership and operation of charitable and educational activities related to promoting and supporting school options in Arizona.

### Basis of Presentation

Center for Arizona Policy, Inc. and Center for Arizona Policy Action (known collectively as "CAP") follow the provisions of Financial Accounting Standards Board Accounting Standards Codification (FASB ASC 958-810-60-4, 810-10-50-1) which requires consolidated financial statements for certain related entities. The consolidated financial statements include Center for Arizona Policy, Inc. and its affiliate, Center for Arizona Policy Action.

All significant transactions and balances between the entities have been eliminated.

The Organization is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

The financial statements include certain prior-year summarized comparative information. 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 Organization's financial statements for the year ended December 31, 2019, from which the summarized information was derived.

(1) **Accounting Policies (continued)**

**Support With Donor Restrictions and Without Donor Restrictions**

Contributions received are recorded as support without donor restrictions or support with donor restrictions, depending on the existence and nature of any donor restrictions.

Donor-restricted support is reported as an increase in net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or the purpose of the restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statement of Activities as net assets released from restrictions.

Contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those assets must be maintained, CAP reports expirations of donor restrictions when the assets are placed in service. CAP reclassifies net assets with donor restrictions to net assets without donor restrictions at that time.

**Revenue From Contracts With Customers**

The Organization recognizes revenue in the accounting period in which the performance obligation is satisfied for program fees, advertising income and special event fees. The transfer of the performance obligations occur at a single point in time as services are rendered. Cancellations result in a refund of the amount paid in advance.

**Paycheck Protection Program (PPP)**

The Paycheck Protection Program (PPP) provided loans to help businesses keep their workforce in place during the Coronavirus (COVID-19) crisis. CAP has chosen to treat the proceeds as a loan and to follow the guidance in FASB ASC 450-30 which places the timing of the recognition of a gain contingency when all of the contingencies related to receipt of the assistance, including the Small Business Administration forgiveness of the loan, have been met and the gain is realized or realizable.

The receipt of any PPP amount will be treated as a loan. The proceeds from the loan will remain recorded as a liability until all contingencies are realized or realizable, at which time the earnings impact will be recognized. The loan was forgiven during 2020.

**Recent Accounting Pronouncements**

In August 2018, the FASB issued ASU 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement*. The amendments in ASU 2018-13 are effective for all nonprofit organizations for fiscal years beginning after December 15, 2019 and modified or removed certain disclosures. The accounting change had no effect on prior periods.

Other significant accounting policies are as follows:

(a) **Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates.

(1) **Accounting Policies (continued)**

(b) **Cash and Cash Equivalents**
For purposes of the Statement of Cash Flows, CAP considers all highly liquid investments without donor restrictions with an initial maturity of three months or less to be cash equivalents.

(c) **Plant Assets and Depreciation**
CAP capitalizes land, buildings and equipment with a cost, if purchased, or fair market value, if contributed, of over $750. Maintenance and repairs are charged to expense as incurred.

Depreciation is recorded based on the estimated useful life of the asset using the straight-line method.

(d) **Contributions In-Kind**
Contributions of materials or equipment are recorded as support at the estimated fair value at the date of contribution. Such contributions are reported as support without donor restrictions unless the donor has restricted the asset to a specific purpose.

No amounts have been reflected in the financial statements for donated services except for $814 of donated legal services in 2020. CAP pays for most services requiring specific expertise. However, approximately 20 individuals volunteered their time and performed a variety of tasks that assisted CAP with specific program events and administrative assignments throughout the year.

(e) **Expense Allocations**
The costs of providing various programs and other activities have been summarized on a functional basis in the Statements of Activities and Functional Expenses. Accordingly, certain costs have been allocated among the programs and support services benefitted. Administration includes those expenses that are not directly identifiable with any specific program but provide for the overall support and direction of CAP. Certain shared costs as well as salaries and benefits are allocated on the basis of estimates of time and effort.

CAP usually holds various events each year but was unable to hold many events in 2020 due to the COVID-19 pandemic. Therefore, there were no direct benefits to donors in 2020.

(f) **Repairs and Maintenance Expense**
In accordance with generally accepted accounting principles, CAP utilizes the direct expensing method for any planned major maintenance activities. Under this method, CAP expenses all costs associated with major planned maintenance activities as incurred.

(g) **Fair Value of Financial Instruments**
The carrying amount of cash and cash equivalents, accounts receivable, accounts payable, and accrued liabilities approximate fair value because of the short maturity of those instruments.

## (1) Accounting Policies (continued)

### (h) Promises to Give Receivable

Unconditional promises to give (pledges), if any, are recognized as revenues in the period the promise is received and as assets, decreases of liabilities or expenses, depending on the form of the benefits received. Donor-restricted contributions are reported as increases in net assets with donor restrictions. Conditional promises to give are recognized when the conditions or barriers on which they depend are removed. Unconditional promises to give that are to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of the discounts, if any, is included in contribution revenue.

### (i) Fair Value Measurements

Fair values have been measured using the following three levels:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that CAP has the ability to access at the measurement date.

Level 2: Observable inputs other than the quoted prices included in Level 1 for similar assets or liabilities in active or non-active markets.

Level 3: Unobservable inputs (not actively traded or not available) that reflect the CAP's own assumptions about the assumptions that market participants would use in pricing the asset, based on the best information available in the circumstances.

### (j) Advertising

Advertising costs are expensed when incurred.

## (2) Love Your School AZ, LLC

Love Your School AZ, LLC activity is included within Center for Arizona Policy, Inc. Total assets were $13,529 and total liabilities were $133 as of December 31, 2019. Love Your School AZ, LLC dissolved in May 2020 and total assets and total liabilities were $0 after dissolution.

## (3) Liquidity and Availability of Financial Assets

The Organization has the following financial assets available within one year of the balance sheet date to meet cash needs for general expenditures:

| | December 31, 2020 | December 31, 2019 |
|---|---|---|
| Cash and cash equivalents | $2,194,997 | $1,099,312 |
| Promises to give receivable | 99,990 | - |
| Investments | 25 | 22 |
| Tax refunds receivable | 891 | 1,741 |
| Less: Purpose restricted by donors | (127,906) | (64,418) |
| Financial assets available to meet cash needs for general expenditures within one year | $2,167,997 | $1,036,657 |

(3) **Liquidity and Availability of Financial Assets (continued)**
It is the goal of Center for Arizona Policy, Inc. to maintain cash balances of at least three months' operating expenses.

Center for Arizona Policy Action typically operates on a bi-annual cycle of fundraising and expenditures. Expenditures are based on the amount of funds raised and are typically higher in even years.

The Organization manages its liquid resources by employing a variety of measures. The Organization focuses on generating adequate contributions and payments for services to cover the costs of its activities and monitors costs closely.

(4) **Cash and Cash Equivalents**
Cash and cash equivalents consist of the following:

| | December 31, 2020 | December 31, 2019 |
|---|---|---|
| Cash in checking accounts | $1,037,285 | $ 559,168 |
| Cash in savings accounts | 30,600 | 533 |
| Cash in money market funds | 969,322 | 377,131 |
| Cash held in investment account | 157,663 | 162,414 |
| Cash on hand | 127 | 66 |
| | $2,194,997 | $1,099,312 |

CAP maintains accounts at two credit unions and three banks. CAP held $31,382 at one of the credit unions in excess of the NCUA limits as of December 31, 2020. CAP held $412,840 at all three of the banks in excess of the Federal Deposit Insurance Corporation limits as of December 31, 2020.

(5) **Promises to Give Receivable**
CAP is a beneficiary of an estate. Promises to give receivable consists of the estimated proceeds to be received from the estate. The estate is expected to make the final distribution within one year.

(6) **Investments**
Investments, which consists of donated marketable securities, are measured at fair value on a recurring basis using Level 1 inputs.

(7) **Property and Equipment**
Property and equipment, carried at cost, consists of the following:

| | December 31, 2020 | December 31, 2019 |
|---|---|---|
| Office furniture and equipment | $104,733 | $ 112,552 |
| Leasehold improvements | 7,090 | 9,361 |
| | 111,823 | 121,913 |
| Less: accumulated depreciation | (97,398) | (104,698) |
| | $ 14,425 | $ 17,215 |

Depreciation expense totaled $9,381 for the year ended December 31, 2020 and $7,779 for the year ended December 31, 2019.

(8) **Operating Leases**

CAP leases office space in Phoenix, Arizona under an operating lease expiring September 30, 2021. Total office rent expense for the year ended December 31, 2020 totaled $104,774 and $103,540 for the year ended December 31, 2019.

CAP also leases office equipment under three operating leases expiring through April 2023. Monthly payments under the leases total $445. Total equipment rent expense for the year ended 2020 was $7,588 and $12,143 for the year ended December 31, 2019.

Minimum future lease payments to be made after December 31, 2020 under non-cancelable operating leases are as follows:

| Year ended December 31, | |
|---|---|
| 2021 | $72,078 |
| 2022 | 2,354 |
| 2023 | 785 |
| | $75,217 |

(9) **Pension Plan**

CAP has provided its employees with a 403(b) defined contribution pension plan, which allows the employees to contribute certain amounts from their wages, with no waiting period. CAP matches the employees' contribution up to 2% of wages after two years of employment and up to 5% of wages after attainment of five years of employment. CAP's expense was $15,054 for the year ended December 31, 2020 and $17,477 for the year ended December 31, 2019.

(10) **Net Assets With Donor Restrictions**

Net assets with donor restrictions consists of the following:

| | December 31, 2020 | December 31, 2019 |
|---|---|---|
| Purpose restricted: | | |
| Daniel Initiative/Arizona Capital Project | $120,276 | $50,000 |
| Daniel Initiative/Arizona Capital Project - travel | - | 964 |
| Computer equipment/infrastructure | - | 13,454 |
| Arizona Christian Education Network | 7,630 | - |
| | $127,906 | $64,418 |

(11) **Joint Costs**

CAP incurred joint costs in connection with its website in 2020 and for events in 2019. The joint costs for the years ended December 31, 2020 and December 31, 2019 were allocated as follows:

| | December 31, 2020 | December 31, 2019 |
|---|---|---|
| Education and advocacy | $ 3,120 | $188,540 |
| Administration | 312 | - |
| Fundraising | 12,168 | 17,372 |
| | $15,600 | $205,912 |

CAP normally has an annual event that contains joint costs but the event was not held due to the COVID-19 pandemic.

(12) **Federal Income Tax Status**

Center for Arizona Policy, Inc. has received exemption from the Internal Revenue Service under IRC Section 501(c)(3). Continuance of such exemption is dependent upon Center for Arizona Policy, Inc.'s operations being in compliance with the Internal Revenue Code. In addition, Center for Arizona Policy, Inc. has been determined by the Internal Revenue Service not to be a private foundation within the meaning of Section 509(a). Love Your School AZ, LLC is a "disregarded entity" for tax purposes and takes its tax status from Center for Arizona Policy, Inc.

Center for Arizona Policy Action has received exemption from the Internal Revenue Service under IRC Section 501(c)(4). Continuance of such exemption is dependent upon Center for Arizona Policy Action's operations being in compliance with the Internal Revenue Code.

(13) **Uncertain Tax Positions**

CAP implemented accounting guidance related to uncertain tax positions. Using that guidance, tax provisions initially need to be recognized in the financial statements when it is more-likely-than-not that the position will not be sustained upon examination by the tax authorities.

As of December 31, 2020, CAP had no uncertain tax positions that qualify for either recognition or disclosure in the financial statements. CAP will recognize future accrued interest and penalties related to unrecognized tax benefits in income tax expense if incurred.

(14) **Subsequent Events**

In August 2021, a real estate sales agreement to purchase a building for $2,660,000 was signed. A portion of the building will be leased to an unrelated tenant. There will also be a tenancy-in-common agreement between Family Holdings, LLC (63%) and a trust (37%). CAP has received $1,150,000 in pledges to help with the purchase. An agreement for tenant improvements services totaling $24,900 was signed. A total of $125,000 has been paid towards the new building.

In September 2021, a partnership named Family Holdings, LLC was formed to hold CAP's share of the building that is being purchased. Center for Arizona Policy, Inc., is the member.

In September 2021, CAP renewed the office lease for six months from October 1, 2021 to March 31, 2022 at $9,919 per month.

In October 2021, CAP designated the $99,990 promise to give receivable to be used for the building project.

Subsequent events were evaluated by management through November 16, 2021, which is the date the financial statements were available to be issued.

# SUPPLEMENTARY INFORMATION

**MONICA J. STERN, CPA, PLLC**
CERTIFIED PUBLIC ACCOUNTANT
11225 NORTH 28TH DRIVE, SUITE A-100
PHOENIX, ARIZONA 85029

## INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY INFORMATION

The Audit Committee
Center for Arizona Policy, Inc. and Affiliate

I have audited the consolidated financial statements of Center for Arizona Policy, Inc. and Affiliate as of and for the years ended December 31, 2020 and 2019, and have issued my reports thereon dated November 16, 2021 and November 10, 2020, which contained an unmodified opinion on those financial statements. My audits were performed for the purpose of forming an opinion on the financial statements as a whole.

The Consolidating Statements of Financial Position and the Consolidating Statements of Activities are presented for the purpose of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Monica J. Stern, CPA, PLLC

November 16, 2021

Center for Arizona Policy, Inc. and Affiliate
Consolidating Statement of Financial Position
December 31, 2020

| **Assets** | Center for Arizona Policy, Inc. | Center for Arizona Policy Action | Elimination | Total |
|---|---|---|---|---|
| Current assets: | | | | |
| Cash and cash equivalents | $2,150,514 | $44,483 | $ - | $2,194,997 |
| Tax refunds receivable | 891 | - | - | 891 |
| Promises to give receivable | 99,990 | - | - | 99,990 |
| Investments | 25 | - | - | 25 |
| Prepaid expenses | 53,817 | 1,281 | (19,783) | 35,315 |
| Total current assets | 2,305,237 | 45,764 | (19,783) | 2,331,218 |
| Property and equipment, net | 14,425 | - | - | 14,425 |
| Deposits | 8,100 | - | - | 8,100 |
| Total assets | $2,327,762 | $45,764 | $(19,783) | $2,353,743 |
| **Liabilities** | | | | |
| Current liabilities: | | | | |
| Accounts payable | $ 18,951 | $19,874 | $(19,783) | $ 19,042 |
| Accrued compensated absences | 28,177 | - | - | 28,177 |
| Deferred rent - current portion | 19,545 | - | - | 19,545 |
| Total current liabilities | 66,673 | 19,874 | (19,783) | 66,764 |
| Deferred rent, net of current portion | - | - | - | - |
| Total liabilities | 66,673 | 19,874 | (19,783) | 66,764 |
| **Net Assets** | | | | |
| Without donor restrictions | 2,133,183 | 25,890 | - | 2,159,073 |
| With donor restrictions | 127,906 | - | - | 127,906 |
| Total net assets | 2,261,089 | 25,890 | - | 2,286,979 |
| Total liabilities and net assets | $2,327,762 | $45,764 | $(19,783) | $2,353,743 |

See independent accountant's audit report on supplementary information.

Center for Arizona Policy, Inc. and Affiliate
Consolidating Statement of Activities - Totals Only
For the year ended December 31, 2020

| | Center for Arizona Policy, Inc. | Center for Arizona Policy Action | Elimination | Total |
|---|---|---|---|---|
| Support and Revenue: | | | | |
| Contributions | $3,325,196 | $698,524 | $(254,000) | $3,769,720 |
| Contributions in-kind | 814 | - | - | 814 |
| Program fees | 4,450 | - | (4,450) | - |
| SBA grant income (PPP) | 193,000 | - | - | 193,000 |
| Interest and dividend income | 2,522 | - | - | 2,522 |
| Loss disposal of assets | (409) | - | - | (409) |
| Total support and revenue | $3,525,573 | $698,524 | $(258,450) | $3,965,647 |
| Expenses: | | | | |
| Program services: | | | | |
| Education and advocacy | 1,537,707 | 636,174 | (258,450) | 1,915,431 |
| Total program services | 1,537,707 | 636,174 | (258,450) | 1,915,431 |
| Supporting services: | | | | |
| Administration | 436,271 | 6,564 | - | 442,835 |
| Fundraising | 368,792 | 30,807 | - | 399,599 |
| Total support services | 805,063 | 37,371 | - | 842,434 |
| Total expenses | 2,342,770 | 673,545 | (258,450) | 2,757,865 |
| Change in net assets | 1,182,803 | 24,979 | - | 1,207,782 |
| Net assets, beginning of year | 1,078,286 | 911 | $ - | 1,079,197 |
| Net assets, ending of year | $2,261,089 | $ 25,890 | $ - | $2,286,979 |

See independent accountant's audit report on supplementary information.

Center for Arizona Policy, Inc. and Affiliate
Consolidating Statement of Financial Position
December 31, 2019

| **Assets** | Center for Arizona Policy, Inc. | Center for Arizona Policy Action | Elimination | Total |
|---|---|---|---|---|
| Current assets: | | | | |
| Cash and cash equivalents | $1,082,396 | $16,916 | $ - | $1,099,312 |
| Tax refunds receivable | 1,741 | - | - | 1,741 |
| Deferred rent incentive receivable | - | - | - | - |
| Investments | 22 | - | - | 22 |
| Prepaid expenses | 50,362 | - | (14,710) | 35,652 |
| Total current assets | 1,134,521 | 16,916 | (14,710) | 1,136,727 |
| Property and equipment, net | 17,215 | - | - | 17,215 |
| Deposits | 8,100 | - | - | 8,100 |
| Total assets | $1,159,836 | $16,916 | $(14,710) | $1,162,042 |

| **Liabilities** | Center for Arizona Policy, Inc. | Center for Arizona Policy Action | Elimination | Total |
|---|---|---|---|---|
| Current liabilities: | | | | |
| Accounts payable | $ 29,282 | $16,005 | $(14,710) | $ 30,577 |
| Accrued compensated absences | 8,646 | - | - | 8,646 |
| Deferred rent - current portion | 24,077 | - | - | 24,077 |
| Total current liabilities | 62,005 | 16,005 | (14,710) | 63,300 |
| Deferred rent, net of current portion | 19,545 | - | - | 19,545 |
| Total liabilities | 81,550 | 16,005 | (14,710) | 82,845 |
| **Net Assets** | | | | |
| Without donor restrictions | 1,013,868 | 911 | - | 1,014,779 |
| With donor restrictions | 64,418 | - | - | 64,418 |
| Total net assets | 1,078,286 | 911 | - | 1,079,197 |
| Total liabilities and net assets | $1,159,836 | $16,916 | $(14,710) | $1,162,042 |

See independent accountant's audit report on supplementary information.

Center for Arizona Policy, Inc. and Affiliate
Consolidating Statement of Activities - Totals Only
For the year ended December 31, 2019

| | Center for Arizona Policy, Inc. | Center for Arizona Policy Action | Elimination | Total |
|---|---|---|---|---|
| Support and Revenue: | | | | |
| Contributions | $2,202,948 | $103,116 | $ - | $2,306,064 |
| Program fees | 7,388 | - | (4,400) | 2,988 |
| Special event fees | 95,700 | - | - | 95,700 |
| Interest and dividend income | 2,571 | - | - | 2,571 |
| Total support and revenue | $2,308,607 | $103,116 | $(4,400) | $2,407,323 |
| Expenses: | | | | |
| Program services: | | | | |
| Education and advocacy | 1,164,925 | 109,338 | (4,400) | 1,269,863 |
| Total program services | 1,164,925 | 109,338 | (4,400) | 1,269,863 |
| Supporting services: | | | | |
| Administration | 384,920 | 5,503 | - | 390,423 |
| Fundraising | 355,000 | 17,982 | - | 372,982 |
| Direct benefits to donors | 44,093 | - | - | 44,093 |
| Total support services | 784,013 | 23,485 | - | 807,498 |
| Total expenses | 1,948,938 | 132,823 | (4,400) | 2,077,361 |
| Change in net assets | 359,669 | (29,707) | - | 329,962 |
| Net assets, beginning of year | 718,617 | 30,618 | $ - | 749,235 |
| Net assets, ending of year | $1,078,286 | $ 911 | $ - | $1,079,197 |

See independent accountant's audit report on supplementary information.