

SOUTHWEST CENTER FOR ECONOMIC INTEGRITY
INDEX TO REVIEWED FINANCIAL STATEMENTS
For the year ended June 30, 2019

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INDEPENDENT ACCOUNTANT’S REVIEW REPORT

To the Board of Directors
Southwest Center for Economic Integrity
Tucson, Arizona

We have reviewed the accompanying financial statements of Southwest Center for Economic Integrity (a nonprofit organization), which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management’s financial data and making inquiries of entity management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

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.

Accountant’s Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountant’s Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

October 2, 2019

Addington & Associates, PLLC

ADDINGTON & ASSOCIATES, PLLC

SOUTHWEST CENTER FOR ECONOMIC INTEGRITY
STATEMENT OF FINANCIAL POSITION
June 30, 2019

ASSETS

Current assets:	
Cash and cash equivalents	\$ 110,479
Total current assets	<u>110,479</u>
 Property and equipment:	
Computer equipment	11,586
Office furniture	<u>4,000</u>
	15,586
Less accumulated depreciation	<u>15,586</u>
Total property and equipment, net	<u>-</u>
 Total assets	 \$ <u><u>110,479</u></u>

LIABILITIES AND NET ASSETS

Current liabilities:	
Accounts payable	\$ 3,300
Accrued expenses	1,505
Deferred revenue	<u>19,900</u>
Total current liabilities	<u>24,705</u>
 Net assets:	
Net assets without donor restrictions	81,441
Net assets with donor restrictions	<u>4,333</u>
Total net assets	<u>85,774</u>
 Total liabilities and net assets	 \$ <u><u>110,479</u></u>

See Accompanying Notes and Independent Accountant's Review Report.

SOUTHWEST CENTER FOR ECONOMIC INTEGRITY
STATEMENT OF ACTIVITIES
For the year ended June 30, 2019

	Net assets without donor restrictions	Net assets with donor restrictions	Total
Revenues and support			
Grants and contracts	\$ 41,594	\$ -	\$ 41,594
Contributions	18,621	1,370	19,991
Interest income	143	-	143
Program income	10,020	-	10,020
Miscellaneous income	738	-	738
Net assets released from restrictions	441	(441)	-
Total revenues and support	71,557	929	72,486
Expenses and losses			
Program services	58,929	-	58,929
Supporting services - general and administrative	7,127	-	7,127
Total expenses	66,056	-	66,056
Increase in net assets	5,501	929	6,430
Net assets, beginning of year	75,940	3,404	79,344
Net assets, end of year	\$ 81,441	\$ 4,333	\$ 85,774

See Accompanying Notes and Independent Accountant's Review Report.

SOUTHWEST CENTER FOR ECONOMIC INTEGRITY
STATEMENT OF CASH FLOWS
For the year ended June 30, 2019

Cash flows from operating activities:

Increase in net assets	\$	6,430
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Change in assets and liabilities:		
Increase (decrease) in liabilities:		
Accounts payable		284
Deferred revenue		6,931
		13,645
Net cash provided by operating activities		13,645
Net increase in cash and cash equivalents		13,645
Cash and cash equivalents, beginning of year		96,834
Cash and cash equivalents, end of year	\$	110,479

Supplemental disclosure of cash flow information:

Interest paid	\$	-
Income taxes paid	\$	-
		-

See Accompanying Notes and Independent Accountant's Review Report.

SOUTHWEST CENTER FOR ECONOMIC INTEGRITY
STATEMENT OF FUNCTIONAL EXPENSES
For the year ended June 30, 2019

	<u>Program</u>	<u>General and Administrative</u>	<u>Total</u>
Personnel:			
Salaries and wages	\$ 44,801	\$ 5,419	\$ 50,220
Employee related expense	3,819	462	4,281
Total personnel	<u>48,620</u>	<u>5,881</u>	<u>54,501</u>
Outside and professional services	4,855	587	5,442
Contracts	1,625	196	1,821
Postage	25	3	28
Reproduction and printing	249	30	279
Insurance	1,445	175	1,620
Other operating	<u>2,110</u>	<u>255</u>	<u>2,365</u>
Total expenses	<u>\$ 58,929</u>	<u>\$ 7,127</u>	<u>\$ 66,056</u>

See Accompanying Notes and Independent Accountant's Review Report.

SOUTHWEST CENTER FOR ECONOMIC INTEGRITY
NOTES TO REVIEWED FINANCIAL STATEMENTS
For the year ended June 30, 2019

1. ORGANIZATION

Nature of operations

Southwest Center for Economic Integrity (CEI) is an Arizona nonprofit corporation. The Southwest Center for Economic Integrity builds economically strong communities for all and opposes unfair corporate practices. CEI engages in research, education and advocacy to mobilize and protect marginalized people, and to hold corporations and industries accountable to communities.

CEI receives income from grant funders and individual donors to do a wide variety of activities including: research current and emerging trends within the informal economy (looking at the fringe financial sectors) See our latest report: [Wrecked by Debt, Auto Title Lending in Arizona](#). The Center for Economic Integrity pilots/test innovative approaches to meet consumer's cash flow and credit needs including financial education in rural border communities in Arizona and New Mexico and encourages innovative fair lending practices.

The Center continues to provide technical assistance to grandparent's raising their grandchildren through the support and advocacy network, *Southern Arizona Grandparent Ambassadors* as part of an overall Arizona state-wide member driven effort to educate the general public and key decision makers with regards to economic issues affecting children in Kinship care as part of a broader M. Casey Foundation Equal Voices for Families Initiative through our collaborative nonprofit funding partner, The Primavera Foundation. The Center provides technical assistance to other nonprofits on a project by project basis.

2. DATE OF MANAGEMENT'S REVIEW

In preparing the financial statements, Southwest Center for Economic Integrity has evaluated events and transactions for potential recognition or disclosure through October 2, 2019 the date that the financial statements were available to be used.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

The financial statements have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables and other liabilities.

Basis of presentation

The Organization reports information regarding its financial position and activities according to two classes of net assets that are based upon the existence or absence of restrictions on use that are placed by its donors: net assets without donor restrictions and net assets with donor restrictions.

Net assets without donor restrictions are resources available to support operations and not subject to donor restrictions. The only limits on the use of net assets without donor restrictions are the broad limits resulting from the nature of the Organization, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

Net assets with donor restrictions are resources that are subject to donor-imposed restrictions. Some restrictions are temporary in nature, such as those that are restricted by a donor for use for a particular purpose or in a particular future period. Other restrictions may be perpetual in nature; such as those that are restricted by a donor that the resources be maintained in perpetuity.

SOUTHWEST CENTER FOR ECONOMIC INTEGRITY
NOTES TO FINANCIAL STATEMENTS - continued
For the year ended June 30, 2019

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Contributions restricted by donors are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

The Organization's unspent contributions are reported in net assets with donor contributions if the donor limited their use, as are promised contributions that are not yet due. Contributions of property and equipment or cash restricted to acquisition of property and equipment are reported as net assets with donor restrictions if the donor has restricted the use of the property or equipment to a particular program. These restrictions expire when the assets are placed in service.

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions.

Recognition of Revenue

Revenue is recognized when earned. Program service fees and payments under cost-reimbursable contracts received in advance are deferred to the applicable period in which the related services are performed, or expenditures are incurred, respectively. Contributions are recognized when cash, or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met or the donor has explicitly released the restriction.

Revenue with and without donor restrictions

Contributions received are recorded as increases in net assets without donor restrictions and net assets with donor restrictions, depending on the existence and/or nature of any donor restrictions.

Grant Support

Southwest Center for Economic Integrity recognizes revenue from foundation grants over the term of the contract based on expenditures incurred or the term of the agreement. Government grants are recognized as revenue when matching expenses are incurred under cost reimbursement contracts.

Cash and Cash Equivalents

For purposes of the Statements of Cash Flows, the Organization considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents, unless the investments are held for meeting restrictions for purchase of property and equipment, payment of long-term debt, or endowment.

SOUTHWEST CENTER FOR ECONOMIC INTEGRITY
NOTES TO FINANCIAL STATEMENTS - continued
For the year ended June 30, 2019

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Property Assets

Purchased equipment is recorded at cost and donated items at fair value at date of donation. Equipment consists of various items of office and computer equipment. Acquisitions of property and equipment greater than \$500 are capitalized. These assets are depreciated on the straight-line method over their estimated useful lives of three years for computer equipment and ten years for office furniture. Repair and maintenance are charged to expense as incurred. Depreciation expense was \$0 for the year ending June 30, 2019.

Functional Expenses

The cost of providing programs and other activities have been summarized on a functional basis in the Statement of Activities and in the Statement of Functional Expenses. Accordingly, certain costs and expenses have been allocated among program services and supporting services based on relative benefits received.

Use of Estimates in the Preparation of Financial Statements

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. On an ongoing basis, management evaluates the estimates and assumptions based on new information. Management believes that the estimates and assumptions are reasonable in the circumstances; however, actual results could differ from those estimates.

Income tax status

The Organization is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and comparable state law as a charitable organization, whereby only unrelated business income, as defined by Section 509(a)(1) of the Code is subject to income tax. The Organization currently has no unrelated business income. Accordingly, no provision for income taxes has been recorded. The Organization has adopted the provisions of the FASB standard on Accounting for Uncertainty in Income Taxes (ASC 740-10-25).

In accordance with FASB Accounting Standards Codification No. 740-10 (ASC 740-10), the Organization holds no uncertain tax positions and, therefore, has no policy for evaluating them. The Organization's Form 990, Return of Organization Exempt from Income Taxes is generally subject to examination by the IRS for three years after the date the return was filed. There are no current or pending IRS examinations.

4. ADOPTION OF ACCOUNTING PRONOUNCEMENT

In August 2016, the Financial Accounting Standards Board, (FASB) issued Accounting Standards Update (ASU) No. 2016-14, Not-for Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities. ASU 2016-14 requires significant changes to the financial reporting model of organizations who follow the not-for-profit reporting model. The changes include reducing the classes of net assets from three classes to two – net assets with donor restrictions and net assets without donor restrictions. The ASU will also require changes in the way certain information is aggregated and reported by the Organization, including required disclosures about liquidity and availability of resources and increased disclosures on functional expenses. The new standard is effective for the Organization's year ending June 30, 2019 and thereafter and must be applied on a retrospective basis. The Organization adopted the ASU effective July 1, 2018. Adoption of the ASU did not result in any reclassifications or restatements to net assets or changes in net assets.

SOUTHWEST CENTER FOR ECONOMIC INTEGRITY
NOTES TO FINANCIAL STATEMENTS - continued
For the year ended June 30, 2019

5. LIQUIDITY

At June 30, 2019, the Organization has \$110,479 cash and cash equivalents available to meet needs for general expenditures consisting of cash of \$108,050 and \$2,429 of cash equivalents. None of the financial assets are subject to donor or other contractual restrictions. Accordingly all such funds are available to meet the cash needs of the Organization in the next 12 months.

The Organization manages its liquidity by developing and adopting annual operating budgets that provide sufficient funds for general expenditures in meeting its liabilities and other obligations as they become due. In addition, excess funds not needed for operations are invested in an interest bearing money market account.

6. Cash equivalents

Cash equivalents at June 30, 2019 consisted of \$2,429 in a government money market account.

7. DEFERRED REVENUE

The following is a summary of deferred revenue:

	<u>June 30, 2019</u>
Casey Foundation	\$ 4,750
Ohio Children's Foundation	15,000
Other donors	150
	<u>\$ 19,900</u>

8. CONTINGENCIES

Southwest Center for Economic Integrity is subject to program audits by funding agencies. There is a possibility that the organization could be liable to these agencies for amounts determined as refundable by such future audits, or for unexpended amounts under the grant. Management feels no such liabilities exist at June 30, 2019.