

**SOUTHWEST CENTER FOR ECONOMIC INTEGRITY**  
**INDEX TO REVIEWED FINANCIAL STATEMENTS**  
**For the year ended June 30, 2020**

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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, 2020, and the related statements of activities, cash flows, and functional expenses 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 26, 2020

*Addington & Associates, PLLC*

**ADDINGTON & ASSOCIATES, PLLC**

**SOUTHWEST CENTER FOR ECONOMIC INTEGRITY**  
**STATEMENT OF FINANCIAL POSITION**  
**June 30, 2020**

**ASSETS**

**Current assets:**

Cash and cash equivalents	\$	85,009
Investments		33,443
<b>Total current assets</b>		<u>118,452</u>

**Property and equipment:**

Computer equipment		11,586
Office furniture		4,000
		<u>15,586</u>
Less accumulated depreciation		15,586
<b>Total property and equipment, net</b>		<u>-</u>

<b>Total assets</b>	\$	<u><u>118,452</u></u>
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**LIABILITIES AND NET ASSETS**

**Current liabilities:**

Accounts payable	\$	3,300
Accrued expenses		689
Deferred revenue		12,250
<b>Total current liabilities</b>		<u>16,239</u>

Note payable		<u>11,200</u>
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<b>Total liabilities</b>		27,439
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**Net assets:**

Net assets without donor restrictions		<u>91,013</u>
<b>Total net assets</b>		<u>91,013</u>

<b>Total liabilities and net assets</b>	\$	<u><u>118,452</u></u>
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See Accompanying Notes and Independent Accountant's Review Report.

**SOUTHWEST CENTER FOR ECONOMIC INTEGRITY**  
**STATEMENT OF ACTIVITIES**  
For the year ended June 30, 2020

	Net assets without donor restrictions	Net assets with donor restrictions	Total
<b>Revenues and support</b>			
Grants and contracts	\$ 51,000	\$ -	\$ 51,000
Contributions	25,669	-	25,669
Investment income	4,014	-	4,014
Program income	2,046	-	2,046
Net assets released from restrictions	4,333	(4,333)	-
<b>Total revenues and support</b>	87,062	(4,333)	82,729
<b>Expenses and losses</b>			
Program services	69,128	-	69,128
Supporting services - general and administrative	8,362	-	8,362
<b>Total expenses</b>	77,490	-	77,490
<b>Increase (decrease) in net assets</b>	9,572	(4,333)	5,239
<b>Net assets, beginning of year</b>	81,441	4,333	85,774
<b>Net assets, end of year</b>	\$ 91,013	\$ -	\$ 91,013

See Accompanying Notes and Independent Accountant's Review Report.

**SOUTHWEST CENTER FOR ECONOMIC INTEGRITY**  
**STATEMENT OF CASH FLOWS**  
**For the year ended June 30, 2020**

**Cash flows from operating activities:**

Increase in net assets	\$	5,239
Adjustments to reconcile increase in net assets to net cash (used) in operating activities:		
Unrealized gains on investments		(3,608)
Change in assets and liabilities:		
Increase (decrease) in liabilities:		
Accounts payable		(816)
Deferred revenue		(7,650)
		(6,835)
<b>Net cash (used) in operating activities</b>		<b>(6,835)</b>

**Cash flows from investing activities:**

Purchase of investments		(29,835)
		(29,835)
<b>Net cash (used) in investing</b>		<b>(29,835)</b>

**Cash flows from financing activities:**

Proceeds from issuance of long-term debt		11,200
		11,200
<b>Net cash provided by financing</b>		<b>11,200</b>
<b>Net (decrease) in cash and cash equivalents</b>		<b>(25,470)</b>
<b>Cash and cash equivalents, beginning of year</b>		<b>110,479</b>
<b>Cash and cash equivalents, end of year</b>	\$	<b>85,009</b>

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, 2020**

	<u>Program</u>	<u>General and Administrative</u>	<u>Total</u>
<b>Personnel:</b>			
Salaries and wages	\$ 54,924	\$ 6,643	\$ 61,567
Employee related expense	4,308	521	4,829
<b>Total personnel</b>	<u>59,232</u>	<u>7,164</u>	<u>66,396</u>
Outside and professional services	3,592	435	4,027
Contracts	995	120	1,115
Office	1,636	198	1,834
Postage	93	11	104
Reproduction and printing	526	64	590
Insurance	1,410	171	1,581
Other operating	1,644	199	1,843
<b>Total expenses</b>	<u>\$ 69,128</u>	<u>\$ 8,362</u>	<u>\$ 77,490</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, 2020**

**1. ORGANIZATION**

*Nature of operations*

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

The Organization 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 Organization 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 Organization 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 though our collaborative nonprofit funding partner, The Primavera Foundation. The Organization provides technical assistance to other nonprofits on a project by project basis.

**2. 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.

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

**SOUTHWEST CENTER FOR ECONOMIC INTEGRITY**  
**NOTES TO FINANCIAL STATEMENTS - continued**  
**For the year ended June 30, 2020**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued**

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.

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.

*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.

*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.

*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, 2020.

*Investments*

Investments are valued at fair market value. Donated investments are recorded at fair market value at the date of gift.

*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.



**SOUTHWEST CENTER FOR ECONOMIC INTEGRITY**  
**NOTES TO FINANCIAL STATEMENTS - continued**  
**For the year ended June 30, 2020**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued**

*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.

*Adoption of Accounting Pronouncements*

On June 21, 2018, FASB issued Accounting Standards Update (ASU) 2018-08, Not-for-Profit Entities (Topic 958) – Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made. The update provides a more robust framework for determining whether a transaction should be accounted for as a contribution or as an exchange transaction by clarifying how a not-for-profit organization determines whether a resource provider is participating in an exchange transaction. The Organization adopted ASU 2018-08 on July 1, 2019 on a prospective basis. Adoption of the ASU did not result in any reclassifications or restatements to net assets or changes in net assets.

*Advertising expense*

Advertising costs are expensed as incurred.

**3. GEOGRAPHIC CONCENTRATION**

The Organization conducts its operations solely in the Arizona and New Mexico, and therefore, is subject to risks from changes in local economic conditions. A downturn in the local economy could cause a decrease in contributions concurrently with an increase in community need for the Organization's services.

**4. FAIR VALUE MEASUREMENT**

Fair value measurements are determined based on the assumptions, referred to as inputs that market participants would use in pricing the asset. The fair value hierarchy distinguishes between market participant assumptions and the Organization's own assumptions about market participant assumptions. Observable inputs are assumptions based on market data obtained from independent sources; while unobservable inputs are the Organization's own assumptions about what market participants would assume based on the best information available in the circumstances.

**SOUTHWEST CENTER FOR ECONOMIC INTEGRITY**  
**NOTES TO FINANCIAL STATEMENTS - continued**  
**For the year ended June 30, 2020**

**4. FAIR VALUE MEASUREMENT - continued**

*Level 1 inputs.* A quoted price in an active market for an identical asset or liability is considered to be the most reliable evidence of fair value. The fair value of the Organization’s investments in marketable securities are determined by reference to quoted prices in active markets for identical assets and other relevant information generated by market transactions.

*Level 2 inputs.* These are observable inputs, either directly or indirectly, other than quoted prices included within Level 1. The Organization does not utilize Level 2 inputs.

*Level 3 inputs.* These inputs are unobservable and are used to measure fair value only when observable inputs are not available. The Organization does not utilize Level 3 inputs.

Fair values of assets measured on a recurring basis at June 30, 2020 consisted of the following:

	Level 1
Exchange Traded Funds	\$ <u>33,443</u>
Total	\$ <u><u>33,443</u></u>

Investment income for the year ended June 30, 2020 was as follows:

Interest and dividend income	\$ 406
Unrealized gain	<u>3,608</u>
	<u><u>\$ 4,014</u></u>

**5. CASH EQUIVALENTS**

Cash equivalents at June 30, 2020 consisted of \$2,838 in a government money market account.

**6. DEFERRED REVENUE**

The following is a summary of deferred revenue:

	June 30, 2020
Casey Foundation	\$ 4,750
Ohio Children's Foundation	5,000
Consumer Federation of America	<u>2,500</u>
	<u><u>\$ 12,250</u></u>

**7. NOTE PAYABLE**

During the year ending June 30, 2020, the Organization received loan proceeds in the amount of approximately \$11,200 under the Paycheck Protection Program (“PPP”). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act (“CARES Act”), provides for loans to qualifying businesses for amounts up to 2.5 times the average monthly payroll expenses of the qualifying business. The loans and accrued interest are forgivable after eight weeks or twenty-four weeks (the “loan forgiveness covered period”), at the Organization’s

**SOUTHWEST CENTER FOR ECONOMIC INTEGRITY**  
**NOTES TO FINANCIAL STATEMENTS - continued**  
**For the year ended June 30, 2020**

**7. NOTE PAYABLE - continued**

election, as long as the Organization uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The amount of loan forgiveness will be reduced if the borrower terminates employees or reduces salaries during the loan forgiveness covered period.

The unforgiven portion of the PPP loan is payable over two years at an interest rate of 1%, with a deferral of payments until ten months after the last day of the loan forgiveness covered period. The Organization submitted an application for loan forgiveness on August 24, 2020. The Organization currently believes that its use of the loan proceeds will meet the conditions for full forgiveness of the loan.

**8. NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions activity is as follows for the year ended June 30, 2020:

	Beginning Balance	Additions	Releases	Ending Balance
FARE	\$ 4,333	\$ -	\$ 4,333	\$ -
	\$ 4,333	\$ -	\$ 4,333	\$ -

**9. LIQUIDITY**

At June 30, 2020, the Organization has \$114,269 available to meet needs for general expenditures consisting of cash and cash equivalents of \$80,826 (total cash and cash equivalents of \$85,009 less donor restricted cash of \$4,183) and investments of \$33,443. 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 twelve 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.

**10. CONTINGENCIES**

The Organization 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, 2020.

**11. SUBSEQUENT EVENTS AND DATE OF MANAGEMENT'S REVIEW**

The preparation of financial statements to conform with accounting principles generally accepted in the United States of America requires management to disclose the date through which subsequent events (i.e., an event or transaction that occurs after the balance sheet date but before the financial statements are issued) were evaluated when determining whether adjustment or disclosure in the financial statements is required.

As a result of the spread of the COVID-19 coronavirus, economic uncertainties have arisen which are likely to negatively impact the increase or decrease in net assets. Other financial impacts could occur though such impact is unknown at this time.

**SOUTHWEST CENTER FOR ECONOMIC INTEGRITY**  
**NOTES TO FINANCIAL STATEMENTS - continued**  
**For the year ended June 30, 2020**

**11. SUBSEQUENT EVENTS AND DATE OF MANAGEMENT'S REVIEW - continued**

The Organization evaluated subsequent events through October 26, 2020, which represents the date the accompanying financial statements were available to be issued.