

**SOUTHWEST CENTER FOR ECONOMIC INTEGRITY**  
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**For the year ended June 30, 2022**

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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, 2022, 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.

We are required to be independent of Southwest Center for Economic Integrity and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our review.

**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.

*Addington & Associates, PLLC*

**ADDINGTON & ASSOCIATES, PLLC**

December 23, 2022

**SOUTHWEST CENTER FOR ECONOMIC INTEGRITY**  
**STATEMENT OF FINANCIAL POSITION**  
**June 30, 2022**

**ASSETS**

**Current assets:**

Cash and cash equivalents	\$	147,920
Investments		40,346
<b>Total current assets</b>		<u>188,266</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>188,266</u></u>
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**LIABILITIES AND NET ASSETS**

**Current liabilities:**

Accounts payable	\$	3,300
Accrued expenses		831
Deferred revenue		32,833
<b>Total current liabilities</b>		<u>36,964</u>

<b>Total liabilities</b>		36,964
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**Net assets:**

Net assets without donor restrictions		151,302
<b>Total net assets</b>		<u>151,302</u>

<b>Total liabilities and net assets</b>	\$	<u><u>188,266</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, 2022**

**Net assets without donor restrictions:**

**Revenues and support**

Grants and contracts	\$	50,500
Contributions		51,056
Forgiveness of debt		13,381
Investment (loss)		(6,684)
Program income		100
Miscellaneous income		305
<b>Total revenues and support</b>		<u>108,658</u>

**Expenses and losses**

Program services		73,349
Supporting services - general and administrative		9,116
Fundraising		2,697
<b>Total expenses</b>		<u>85,162</u>

**Increase in net assets without donor restrictions** 23,496

**Net assets without donor restrictions, beginning of year** 127,806

**Net assets without donor restrictions, end of year** \$ 151,302

See Accompanying Notes and Independent Accountant's Review Report.

**SOUTHWEST CENTER FOR ECONOMIC INTEGRITY**  
**STATEMENT OF CASH FLOWS**  
**For the year ended June 30, 2022**

**Cash flows from operating activities:**

Increase in net assets	\$	23,496
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Forgiveness of debt		(13,381)
Unrealized loss on investments		7,425
Change in assets and liabilities:		
Increase (decrease) in liabilities:		
Accounts payable		(428)
Deferred revenue		12,500
		29,612
<b>Net cash provided by operating activities</b>		<b>29,612</b>
<b>Net increase in cash and cash equivalents</b>		<b>29,612</b>
<b>Cash and cash equivalents, beginning of year</b>		<b>118,308</b>
<b>Cash and cash equivalents, end of year</b>	\$	<b>147,920</b>

Supplemental disclosure of cash flow information:

Interest paid	\$	-
Income taxes paid	\$	-

*Noncash financing activity:*

During the year ending June 30, 2022, the \$13,381 due under the prior year Paycheck Protection Program loan was fully forgiven.

See Accompanying Notes and Independent Accountant's Review Report.

**SOUTHWEST CENTER FOR ECONOMIC INTEGRITY**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**For the year ended June 30, 2022**

	<u>Program</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
<b>Personnel:</b>				
Salaries and wages	\$ 58,640	\$ 7,317	\$ 1,855	\$ 67,812
Employee related expense	4,674	585	163	5,422
<b>Total personnel</b>	<u>63,314</u>	<u>7,902</u>	<u>2,018</u>	<u>73,234</u>
Outside and professional services	3,710	449	-	4,159
Advertising	1,784	216	-	2,000
Contracts	758	92	-	850
Office	1,103	133	-	1,236
Miscellaneous	-	-	679	679
Postage	62	8	-	70
Reproduction and printing	586	71	-	657
Insurance	1,600	193	-	1,793
Other operating	432	52	-	484
<b>Total expenses</b>	<u>\$ 73,349</u>	<u>\$ 9,116</u>	<u>\$ 2,697</u>	<u>\$ 85,162</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, 2022**

**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 of the Organization have been prepared in accordance with accounting principles generally accepted in the United States of America (US GAAP) 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, 2022**

**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, 2022.

*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, 2022**

**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.

*Advertising expense*

Advertising costs are expensed as incurred, the advertising expense for year ending June 30, 2022 was \$2,000.

**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.

*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.

**SOUTHWEST CENTER FOR ECONOMIC INTEGRITY**  
**NOTES TO FINANCIAL STATEMENTS - continued**  
**For the year ended June 30, 2022**

**4. FAIR VALUE MEASUREMENT - continued**

Fair values of assets measured on a recurring basis at June 30, 2022 consisted of the following:

	<u>Level 1</u>
Exchange Traded Funds	\$ <u>40,346</u>
Total	\$ <u><u>40,346</u></u>

Investment income for the year ended June 30, 2022 was as follows:

Interest and dividend income	\$ 741
Unrealized (loss)	<u>(7,425)</u>
	<u><u>\$ (6,684)</u></u>

**5. CASH EQUIVALENTS**

Cash equivalents at June 30, 2022 consisted of \$3,844 in a government money market account.

**6. DEFERRED REVENUE**

The following is a summary of deferred revenue:

	<u>June 30, 2022</u>
Casey Foundation	\$ 5,333
CFSA 2022 CORE Grant	9,167
CFSA 2022 Matching Grant (A.Nichols)	9,167
A.Nichols Private Foundation	9,166
	<u><u>\$ 32,833</u></u>

**7. NOTE PAYABLE AND LOAN FORGIVENESS**

During the year ending June 30, 2021, the Organization received a second loan in the amount of approximately \$13,381 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 election, as long as the Organization uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. In July 2021, the Organization was notified by the Small Business Administration (SBA) that the full balance of the loan and all accrued interest had been forgiven. This amount has been reflected as Forgiveness of Debt revenue in the accompanying Statement of Activities.

**SOUTHWEST CENTER FOR ECONOMIC INTEGRITY**  
**NOTES TO FINANCIAL STATEMENTS - continued**  
**For the year ended June 30, 2022**

**8. LIQUIDITY**

At June 30, 2022, the Organization has \$188,266 available to meet needs for general expenditures consisting of cash and cash equivalents of \$147,920 and investments of \$40,346. 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.

**9. 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, 2022.

**10. EFFECT OF COVID-19 ON ONGOING OPERATIONS**

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

**11. FUNCTIONALIZED EXPENSES**

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include outside and professional services, advertising, contracts, office, miscellaneous, postage, reproduction and printing, insurance and other operating expenses, which are allocated on the basis of estimates of time and effort.

**12. 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.

The Organization evaluated subsequent events through December 23, 2022 which represents the date the accompanying financial statements were available to be issued.