

GEORGIA PUBLIC POLICY FOUNDATION, INC.
FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016

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Independent Auditor's Report

To the Board of Trustees
Georgia Public Policy Foundation, Inc.
Atlanta, Georgia

Report on the Financial Statements

We have audited the accompanying statements of financial position of Georgia Public Policy Foundation, Inc. (a nonprofit organization) as of December 31, 2017 and 2016 and the related statements of activities and cash flows for the years then ended.

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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Georgia Public Policy Foundation, Inc. as of December 31, 2017 and 2016 and the changes in net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules of general and administrative expenses on page 11 are presented for purposes 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Gay & Joseph, CPA, PC
Certified Public Accountants

June 19, 2018
LaGrange, Georgia

GEORGIA PUBLIC POLICY FOUNDATION, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
<u>Assets</u>		
Current assets:		
Cash	\$ 215,977	\$ 199,104
Prepaid expenses	7,004	1,953
Security deposits	<u>4,312</u>	<u>4,312</u>
Total current assets	<u>227,293</u>	<u>205,369</u>
Investments	<u>1,427</u>	<u>960</u>
Property and equipment, net of accumulated depreciation	<u>67</u>	<u>234</u>
Total assets	<u><u>\$ 228,787</u></u>	<u><u>\$ 206,563</u></u>
<u>Liabilities and Net Assets</u>		
Current liabilities:		
Accounts payable	<u>\$ 5,803</u>	<u>\$ 25,640</u>
Total current liabilities	<u>5,803</u>	<u>25,640</u>
Net assets:		
Unrestricted	183,656	169,102
Temporarily restricted	<u>39,328</u>	<u>11,821</u>
Total net assets	<u>222,984</u>	<u>180,923</u>
Total liabilities and net assets	<u><u>\$ 228,787</u></u>	<u><u>\$ 206,563</u></u>

See independent auditor's report and the accompanying notes.

GEORGIA PUBLIC POLICY FOUNDATION, INC.
STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
Changes in unrestricted net assets:		
Revenue and support:		
Education and research	\$ 388,380	\$ 357,919
Special events	14,160	77,950
In-kind donations	2,000	1,500
Interest and dividends	32	15
Net gains on investments	467	539
Other income	3,341	869
Total unrestricted revenue and support	<u>408,380</u>	<u>438,792</u>
Net assets released from restrictions:		
Restrictions satisfied by payments	<u>47,493</u>	<u>89,455</u>
Total unrestricted revenue and support and net assets released from restrictions	<u>455,873</u>	<u>528,247</u>
Expenses:		
Fundraising	68,837	68,606
Education and research	332,292	355,317
General and administrative	40,190	42,938
Total expenses	<u>441,319</u>	<u>466,861</u>
Increase in unrestricted net assets	14,554	61,386
Changes in temporarily restricted net assets:		
Support:		
Education and research	45,000	50,000
Meetings and events	30,000	25,000
Total temporarily restricted support	<u>75,000</u>	<u>75,000</u>
Net assets released from restrictions:		
Restrictions satisfied by payments	<u>(47,493)</u>	<u>(89,455)</u>
Increase (decrease) in temporarily restricted net assets	27,507	(14,455)
Total increase in net assets	42,061	46,931
Net assets, beginning of year	<u>180,923</u>	<u>133,992</u>
Net assets, end of year	<u><u>\$ 222,984</u></u>	<u><u>\$ 180,923</u></u>

See independent auditor's report and the accompanying notes.

GEORGIA PUBLIC POLICY FOUNDATION, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities:		
Increase in net assets	\$ 42,061	\$ 46,931
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation expense	167	738
Net (gains) on investments	(467)	(539)
(Increase) decrease in operating assets:		
Prepaid expenses and other assets	(5,051)	7,333
Increase (decrease) in operating liabilities:		
Accounts payable	(19,837)	24,697
Net cash provided by operating activities	<u>16,873</u>	<u>79,160</u>
Cash flows from investing activities:		
Donated securities	0	(15,740)
Proceeds from sale of investments	0	16,340
Net cash provided by investing activities	<u>0</u>	<u>600</u>
Net increase in cash and equivalents	16,873	79,760
Cash and equivalents, beginning of year	<u>199,104</u>	<u>119,344</u>
Cash and equivalents, end of year	<u>\$ 215,977</u>	<u>\$ 199,104</u>

See independent auditor's report and the accompanying notes.

GEORGIA PUBLIC POLICY FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of the Organization

Georgia Public Policy Foundation, Inc. (the "Foundation") is an independent, nonpartisan, public policy research group committed to furthering the goals of economic growth and individual opportunity. The Foundation seeks to generate new ideas based on the principles of free enterprise, limited government, and individual liberty by providing a forum for the exchange of ideas and a laboratory for the development of those ideas into practical public policy.

Basis of Accounting

The financial statements of the Foundation have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Revenues and gains are recognized when earned, and expenses and losses are recognized when incurred.

Basis of Presentation

The financial statements are presented in accordance with FASB *Accounting Standards Codification 958, Not-for-Profit Entities*. Under *Accounting Standards Codification 958, Not-for-Profit Entities*, the Foundation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Foundation considers all unrestricted highly liquid investments with an initial maturity of 90 days or less to be cash.

Contributions

Contributions are recognized when the donor makes an unconditional promise to give to the Foundation. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in the temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

GEORGIA PUBLIC POLICY FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates based on management's knowledge and experience. Due to their prospective nature, actual results could differ from those estimates.

Reclassifications

Certain accounts in the prior year financial statements may have been reclassified for comparative purposes to conform with the presentation in the current year financial statements.

Income Taxes

The Foundation qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. The Internal Revenue Service has made a final determination as to the Foundation's qualification under Section 509(a) of the Internal Revenue Code. The Service has determined that the Foundation is reasonably expected to be a publicly supported organization described in Sections 509(a)(1) and 170(b)(1)(A)(vi) and, therefore, is treated as a publicly supported foundation and not as a private foundation. This status is contingent upon the Foundation continuing to meet the public support requirements of the above-mentioned code.

FASB ASC 740-010, *Income Taxes*, addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under that guidance, the Foundation may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities based on the technical merits of the position. Examples of tax positions include the tax-exempt status of the Foundation and various positions related to the potential sources of unrelated business taxable income (UBTI). The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. There were no unrecognized tax benefits identified or recorded as liabilities for the years ended December 31, 2017 and 2016.

The Foundation's Form 990, *Return of Organization Exempt from Income Tax*, for the years ended December 31, 2017, 2016, and 2015 are subject to examination by the Internal Revenue Service, generally for three years after they were filed.

GEORGIA PUBLIC POLICY FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments

Under FASB ASC 958-320, *Not-for-Profit Entities - Investments - Debt & Equity Securities*, investments in marketable securities with readily determinable market values are reported at their market values in the statements of financial position. Unrealized gains and losses are included in the statements of activities as changes in unrestricted net assets. Investment income and gains are reported in the statements of activities as increases in unrestricted net assets in the reporting period in which the income and gains are recognized.

Property and Equipment

Property and equipment are recorded at cost, if purchased. Donated items are recorded at fair market value at the time of the gift. Depreciation is computed using the double declining balance method over the estimated useful lives of the asset, ranging from 5 to 7 years.

Subsequent Events

Subsequent events were evaluated through June 19, 2018 which is the date the financial statements were available to be issued. No significant events occurred subsequent to the statements of financial position date but prior to June 19, 2018 that would have a material impact on the financial statements.

Fair value of Financial Instruments

The book values of accounts receivable, accounts payable, and other financial instruments approximate the fair values, principally because of the short-term maturities of these instruments.

GEORGIA PUBLIC POLICY FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016

NOTE 2. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

	<u>2017</u>	<u>2016</u>
Furniture and fixtures	\$ 14,969	\$ 14,969
Office equipment	1,356	1,356
Computer equipment and software	<u>10,824</u>	<u>10,824</u>
Total	27,149	27,149
Less accumulated depreciation	(27,082)	(26,915)
Net property and equipment	<u>\$ 67</u>	<u>\$ 234</u>

The depreciation expense charged to operations was \$167 and \$738 for the years ended December 31, 2017 and 2016, respectively.

NOTE 3. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following education and research programs:

	<u>2017</u>	<u>2016</u>
Education and research	\$ 36,328	\$ 11,821
Meetings and events	<u>3,000</u>	<u>0</u>
Temporarily restricted net assets	<u>\$ 39,328</u>	<u>\$ 11,821</u>

GEORGIA PUBLIC POLICY FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016

NOTE 4. OPERATING LEASES

In August 2011 the Foundation signed a six year lease agreement for its current office location. That lease agreement expired in September 2017 and was then amended to extend the contract for a period of 63 months. Monthly base rental payments of \$2,875 began in October 2017. The base rental amount increases annually based on a dollar amount per square foot factor. These payments do not include utilities or janitorial service.

Future minimum payments are as follows:

<u>Years ending December 31,</u>	
2018	\$ 34,755
2019	35,795
2020	36,862
2021	37,967
2022	39,099
Total	<u>\$ 184,478</u>

Lease expense charged to operations under leases totaled \$31,831 and \$30,521 for the years ended December 31, 2017 and 2016, respectively.

SUPPLEMENTARY INFORMATION

GEORGIA PUBLIC POLICY FOUNDATION, INC.
SCHEDULES OF GENERAL AND ADMINISTRATIVE EXPENSES
YEARS ENDED DECEMBER 31, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
General and administrative expenses:		
Bank fees	\$ 97	\$ 121
Computer software	448	510
Depreciation expense	17	74
Employee benefits	688	938
Food and beverage	286	71
Insurance	3,420	3,263
Office supplies	731	1,862
Payroll taxes	1,721	1,714
Postage and printing	217	164
Professional services	3,109	5,187
Rent and utilities	2,936	3,749
Repairs and maintenance	469	440
Salaries	22,606	22,462
Dues and memberships	156	100
Telephone	158	149
Travel	<u>3,131</u>	<u>2,134</u>
Total general and administrative expenses	<u><u>\$ 40,190</u></u>	<u><u>\$ 42,938</u></u>

See independent auditor's report and the accompanying notes.