

GEORGIA PUBLIC POLICY FOUNDATION, INC.
FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018

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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, 2019 and 2018 and the related statements of activities, functional expenses, 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, 2019 and 2018 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.

Gay & Joseph, CPA, PC
Certified Public Accountants

July 7, 2020
LaGrange, Georgia

GEORGIA PUBLIC POLICY FOUNDATION, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2019 AND 2018

| | <u>2019</u> | <u>2018</u> |
|--|---------------------------------|---------------------------------|
| <u>Assets</u> | | |
| Current assets: | | |
| Cash | \$ 348,662 | \$ 301,866 |
| Prepaid expenses | 29,446 | 2,325 |
| Security deposits | <u>4,312</u> | <u>4,312</u> |
| Total current assets | <u>382,420</u> | <u>308,503</u> |
| Investments | <u>2,172</u> | <u>1,808</u> |
| Property and equipment, net of accumulated depreciation | <u>0</u> | <u>0</u> |
| Total assets | <u><u>\$ 384,592</u></u> | <u><u>\$ 310,311</u></u> |
| <u>Liabilities and Net Assets</u> | | |
| Current liabilities: | | |
| Accounts payable | <u>\$ 23,036</u> | <u>\$ 21,725</u> |
| Total current liabilities | <u>23,036</u> | <u>21,725</u> |
| Net assets: | | |
| Without donor restriction | 283,188 | 248,888 |
| With donor restriction | <u>78,368</u> | <u>39,698</u> |
| Total net assets | <u>361,556</u> | <u>288,586</u> |
| Total liabilities and net assets | <u><u>\$ 384,592</u></u> | <u><u>\$ 310,311</u></u> |

See independent auditor's report and the accompanying notes.

GEORGIA PUBLIC POLICY FOUNDATION, INC.
STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2019 AND 2018

| | <u>2019</u> | <u>2018</u> |
|---|--------------------------|--------------------------|
| Changes in net assets without donor restriction: | | |
| Revenue and support: | | |
| Education and research | \$ 478,015 | \$ 446,882 |
| Special events | 64,652 | 47,613 |
| In-kind donations | 29,000 | 3,000 |
| Interest and dividends | 63 | 60 |
| Net gains on investments | 363 | 382 |
| Other income | 2,744 | 1,542 |
| Total revenue and support | <u>574,837</u> | <u>499,479</u> |
| Net assets released from restrictions: | | |
| Restrictions satisfied by payments | <u>82,937</u> | <u>74,630</u> |
| Total revenue and support and net assets released from restrictions | <u>657,774</u> | <u>574,109</u> |
| Expenses: | | |
| Fundraising | 137,673 | 72,392 |
| Education and research | 444,973 | 393,588 |
| General and administrative | 40,828 | 42,898 |
| Total expenses | <u>623,474</u> | <u>508,878</u> |
| Increase in net assets without donor restriction | 34,300 | 65,231 |
| Changes in net assets with donor restriction: | | |
| Support: | | |
| Education and research | 74,720 | 45,000 |
| Meetings and events | 46,887 | 30,000 |
| Total support | <u>121,607</u> | <u>75,000</u> |
| Net assets released from restrictions: | | |
| Restrictions satisfied by payments | <u>(82,937)</u> | <u>(74,630)</u> |
| Increase in net assets with donor restriction | 38,670 | 370 |
| Total increase in net assets | 72,970 | 65,601 |
| Net assets, beginning of year | <u>288,586</u> | <u>222,985</u> |
| Net assets, end of year | <u><u>\$ 361,556</u></u> | <u><u>\$ 288,586</u></u> |

See independent auditor's report and the accompanying notes.

GEORGIA PUBLIC POLICY FOUNDATION, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

| | <u>For the Year Ended December 31, 2019</u> | | | | <u>For the Year Ended December 31, 2018</u> | | | |
|-------------------------|---|----------------------------|-----------------------------------|-------------------|---|----------------------------|-----------------------------------|-------------------|
| | <u>Program Services</u> | <u>Supporting Services</u> | | | <u>Program Services</u> | <u>Supporting Services</u> | | |
| | <u>Education and Research</u> | <u>Fund Raising</u> | <u>General and Administrative</u> | <u>Total</u> | <u>Education and Research</u> | <u>Fund Raising</u> | <u>General and Administrative</u> | <u>Total</u> |
| Bank fees | \$ 2,411 | \$ 301 | \$ 301 | \$ 3,013 | \$ 1,323 | \$ 166 | \$ 166 | \$ 1,655 |
| Computer software | 4,304 | 538 | 538 | 5,380 | 3,298 | 412 | 412 | 4,122 |
| Continuing education | 905 | 0 | 0 | 905 | 0 | 0 | 0 | 0 |
| Depreciation expense | 0 | 0 | 0 | 0 | 53 | 7 | 7 | 67 |
| Employee benefits | 12,386 | 3,847 | 1,128 | 17,361 | 10,838 | 1,355 | 1,355 | 13,548 |
| Event expense | 61,305 | 0 | 0 | 61,305 | 44,167 | 0 | 0 | 44,167 |
| Food and beverage | 1,896 | 1,703 | 271 | 3,870 | 2,836 | 2,546 | 405 | 5,787 |
| Insurance | 33,932 | 9,977 | 3,195 | 47,104 | 33,175 | 4,147 | 4,147 | 41,469 |
| Interns | 1,250 | 0 | 0 | 1,250 | 2,000 | 0 | 0 | 2,000 |
| Miscellaneous | 735 | 0 | 0 | 735 | 1,030 | 0 | 0 | 1,030 |
| Office supplies | 1,137 | 0 | 1,231 | 2,368 | 1,885 | 0 | 2,043 | 3,928 |
| Payroll service | 0 | 0 | 732 | 732 | 147 | 12 | 12 | 171 |
| Payroll taxes | 15,142 | 4,741 | 1,390 | 21,273 | 12,863 | 1,608 | 1,608 | 16,079 |
| Postage and printing | 3,765 | 6,958 | 266 | 10,989 | 4,977 | 7,078 | 247 | 12,302 |
| Professional fees | 30,000 | 11,900 | 0 | 41,900 | 30,000 | 11,000 | 0 | 41,000 |
| Professional services | 30,804 | 32,896 | 3,195 | 66,895 | 39,314 | 19,273 | 3,121 | 61,708 |
| Rent and utilities | 31,252 | 3,907 | 3,907 | 39,066 | 31,349 | 3,919 | 3,919 | 39,187 |
| Repairs and maintenance | 0 | 0 | 757 | 757 | 0 | 0 | 1,715 | 1,715 |
| Salaries | 193,802 | 60,203 | 17,653 | 271,658 | 163,943 | 20,493 | 20,493 | 204,929 |
| Dues and memberships | 5,593 | 455 | 455 | 6,503 | 2,829 | 230 | 230 | 3,289 |
| Telephone | 1,973 | 247 | 247 | 2,467 | 1,168 | 146 | 146 | 1,460 |
| Travel | 12,381 | 0 | 5,562 | 17,943 | 6,393 | 0 | 2,872 | 9,265 |
| Total expenses | \$ 444,973 | \$ 137,673 | \$ 40,828 | \$ 623,474 | \$ 393,588 | \$ 72,392 | \$ 42,898 | \$ 508,878 |

See independent auditor's report and the accompanying notes.

GEORGIA PUBLIC POLICY FOUNDATION, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2019 AND 2018

| | 2019 | 2018 |
|---|----------------|----------------|
| Cash flows from operating activities: | | |
| Increase in net assets | \$ 72,970 | \$ 65,601 |
| Adjustments to reconcile increase in net assets to net cash provided by operating activities: | | |
| Depreciation expense | 0 | 67 |
| Net (gains) on investments | (363) | (382) |
| (Increase) decrease in operating assets: | | |
| Prepaid expenses and other assets | (27,122) | 4,680 |
| Increase (decrease) in operating liabilities: | | |
| Accounts payable | 1,311 | 15,923 |
| Net cash provided by operating activities | 46,796 | 85,889 |
| Net increase in cash and equivalents | 46,796 | 85,889 |
| Cash and equivalents, beginning of year | 301,866 | 215,977 |
| Cash and equivalents, end of year | \$ 348,662 | \$ 301,866 |

See independent auditor's report and the accompanying notes.

GEORGIA PUBLIC POLICY FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018

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

Net assets without donor restrictions are resources available to support organizations 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 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 permanent in nature, such as those that are restricted by a donor that the resources be maintained in perpetuity.

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 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.

GEORGIA PUBLIC POLICY FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018

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, 2019 and 2018.

The Foundation's Form 990, *Return of Organization Exempt from Income Tax*, for the years ended December 31, 2019, 2018, and 2017 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, 2019 AND 2018

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 July 7, 2020 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 July 7, 2020 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.

Net Assets

Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Foundation and changes therein are classified and reported as follows:

Net Assets Without Donor Restriction – Net assets that are not subject to donor-imposed stipulations.

Net Assets With Donor Restriction – Net assets subject to donor-imposed stipulations that may be maintained permanently by the Foundation.

GEORGIA PUBLIC POLICY FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 2. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

| | 2019 | 2018 |
|---------------------------------|---------------|---------------|
| Furniture and fixtures | \$ 14,969 | \$ 14,969 |
| Office equipment | 1,356 | 1,356 |
| Computer equipment and software | 10,824 | 10,824 |
| Total | <u>27,149</u> | <u>27,149</u> |
| Less accumulated depreciation | (27,149) | (27,149) |
| Net property and equipment | <u>\$ 0</u> | <u>\$ 0</u> |

The depreciation expense charged to operations was \$0 and \$67 for the years ended December 31, 2019 and 2018, respectively.

NOTE 3. NET ASSETS WITH DONOR IMPOSED RESTRICTIONS

Net assets with donor imposed restrictions are those stipulated by donors for specific purposes.

Net assets with donor imposed restrictions are restricted for the following:

| | 2019 | 2018 |
|-----------------------------------|------------------|------------------|
| Education and research | \$ 45,480 | \$ 34,698 |
| Meetings and events | <u>32,888</u> | <u>5,000</u> |
| Temporarily restricted net assets | <u>\$ 78,368</u> | <u>\$ 39,698</u> |

NOTE 4. AVAILABILITY OF FINANCIAL ASSETS

The Foundation's financial assets available within one year of the balance sheet for general expenditure are as follows.

| Item | Amount |
|---|-------------------|
| Cash and cash equivalents | \$ 348,662 |
| Prepaid expenses | 29,446 |
| Financial assets | <u>378,108</u> |
| Less those unavailable for general expenditures within one year, due to: donor-imposed restrictions | <u>(73,368)</u> |
| Financial assets available to meet cash needs for general expenditures within one year | <u>\$ 304,740</u> |

GEORGIA PUBLIC POLICY FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 4. AVAILABILITY OF FINANCIAL ASSETS (continued)

As part of the Foundation's liquidity management, their policy is to structure financial assets to be available for general expenditures, liabilities, and other obligations as they come due.

NOTE 5. 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:

Years ending December 31,

| | |
|------------|-------------------|
| 2020 | \$ 36,862 |
| 2021 | 37,967 |
| 2022 | 39,099 |
| Thereafter | 0 |
| Total | <u>\$ 113,928</u> |

Lease expense charged to operations under leases and included in rent and utilities expense totaled \$35,891 and \$34,263 for the years ended December 31, 2019 and 2018, respectively.