BARRY GOLDWATER INSTITUTE FOR PUBLIC POLICY RESEARCH AND SUBSIDIARY

CONSOLIDATED FINANCIAL STATEMENTS

Year Ended December 31, 2024

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of

Barry Goldwater Institute for Public Policy Research and Subsidiary

Opinion

We have audited the consolidated financial statements of ***Barry Goldwater Institute for Public Policy Research and Subsidiary*** (the "Institute"), which comprise the consolidated statement of financial position as of December 31, 2024, and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Institute as of December 31, 2024, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Institute and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Institute's ability to continue as a going concern for one year after the date that the consolidated financial statements are available to be issued.

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Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Institute's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Institute's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited ***Barry Goldwater Institute for Public Policy Research and Subsidiary's 2023*** consolidated financial statements and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 24, 2024. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2023, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

CBIZ CPAs P.C.

May 23, 2025

BARRY GOLDWATER INSTITUTE FOR PUBLIC POLICY RESEARCH AND SUBSIDIARY

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

December 31, 2024
(with summarized comparative totals as of December 31, 2023)

A S S E T S

	2024	2023
CURRENT ASSETS		
Cash and cash equivalents	$ 2,114,096	$ 1,722,741
Pledges receivable	62,158	565,800
Note receivable	78,647	-
Other receivables	-	183,872
Prepaid expenses and other current assets	67,849	47,991
TOTAL CURRENT ASSETS	2,322,750	2,520,404
NOTE RECEIVABLE, net	1,837,158	-
INVESTMENTS	38,624,635	34,702,671
PROPERTY AND EQUIPMENT, net	1,384,955	1,486,837
TOTAL ASSETS	$ 44,169,498	$ 38,709,912

L I A B I L I T I E S   A N D   N E T   A S S E T S

	2024	2023
CURRENT LIABILITIES		
Accounts payable	$ 231,025	$ 364,507
Accrued and other current liabilities	149,924	221,069
Current portion of split interest agreement	-	7,404
TOTAL CURRENT LIABILITIES	380,949	592,980
SPLIT INTEREST AGREEMENT, less current portion	-	20,639
TOTAL LIABILITIES	380,949	613,619
NET ASSETS		
Without donor restrictions	15,248,812	12,650,393
With donor restrictions	28,539,737	25,445,900
TOTAL NET ASSETS	43,788,549	38,096,293
TOTAL LIABILITIES AND NET ASSETS	$ 44,169,498	$ 38,709,912

See Notes to Consolidated Financial Statements

BARRY GOLDWATER INSTITUTE FOR
PUBLIC POLICY RESEARCH AND SUBSIDIARY

CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

Year Ended December 31, 2024
(with summarized comparative totals for the year ended December 31, 2023)

	Without Donor Restrictions	With Donor Restrictions	Totals 2024	Totals 2023
SUPPORT, REVENUES AND GAINS				
Contributions	$ 6,514,499	$ 1,832,275	$ 8,346,774	$ 27,548,933
Foundation contributions and grants	2,117,537	636,213	2,753,750	2,844,750
In-kind contributions	2,513,500	-	2,513,500	3,039,834
Interest and dividends, net	463,765	720,374	1,184,139	463,984
Realized and unrealized gains (losses)	221,253	614,981	836,234	869,607
Other income	382,416	-	382,416	450,554
Total support and revenues before special events and net assets released from restrictions	12,212,970	3,803,843	16,016,813	35,217,662
Special events:				
Special events revenues	413,020	-	413,020	467,735
Less costs of direct donor benefits	(61,728)	-	(61,728)	(57,949)
Gross profit on special events	351,292	-	351,292	409,786
Net assets released from restrictions	710,006	(710,006)	-	-
TOTAL SUPPORT, REVENUES AND GAINS	13,274,268	3,093,837	16,368,105	35,627,448
EXPENSES:				
Programs:				
Litigation	4,431,136	-	4,431,136	4,677,663
Legislation	3,440,754	-	3,440,754	2,225,332
Communcations	1,373,127	-	1,373,127	2,417,488
Total programs	9,245,017	-	9,245,017	9,320,483
Fundraising	986,442	-	986,442	874,526
Management and general	444,390	-	444,390	470,227
TOTAL EXPENSES	10,675,849	-	10,675,849	10,665,236
CHANGE IN NET ASSETS	2,598,419	3,093,837	5,692,256	24,962,212
NET ASSETS, BEGINNING OF YEAR	12,650,393	25,445,900	38,096,293	13,134,081
NET ASSETS, END OF YEAR	$ 15,248,812	$ 28,539,737	$ 43,788,549	$ 38,096,293

BARRY GOLDWATER INSTITUTE FOR PUBLIC POLICY RESEARCH AND SUBSIDIARY

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2024
(with summarized comparative totals for the year ended December 31, 2023)

	Programs				Support Services		Totals	
	Litigation	Legislation	Communications	Total Programs	Fundraising	Management and General	2024	2023
Wages and salaries	$ 1,338,366	$ 1,530,358	$ 594,207	$ 3,462,931	$ 383,339	$ 165,750	$ 4,012,020	$ 3,287,444
In-kind legal and research expense	2,504,340	4,360	-	2,508,700	-	-	2,508,700	3,039,834
Contract labor	6,000	366,752	163,852	536,604	179,416	71,697	787,717	745,570
Employee benefits	136,409	156,478	51,868	344,755	40,495	17,609	402,859	320,418
Direct mail	-	-	180,266	180,266	15,675	-	195,941	269,459
Payroll taxes	94,211	109,190	41,588	244,989	26,836	11,858	283,683	231,185
Depreciation and amortization	51,588	54,956	21,139	127,683	19,078	6,349	153,110	134,748
Travel	36,112	58,307	19,814	114,233	22,233	61	136,527	133,347
Gala fundraising event	-	-	-	-	195,894	-	195,894	201,417
Building expense	39,029	41,578	15,993	96,600	14,434	4,803	115,837	87,281
Dues and subscriptions	22,578	84,764	21,942	129,284	28,284	29,458	187,026	135,273
Technology	2,558	2,725	1,048	6,331	946	315	7,592	15,846
Litigation fees and attorney's fees	141,613	-	-	141,613	-	-	141,613	123,090
Event	3,197	880	2,290	6,367	16,692	81	23,140	35,822
Direct donor benefits	-	-	-	-	61,728	-	61,728	57,949
Advertising and public relations	-	531,211	230,284	761,495	3,628	525	765,648	1,168,174
Printing and research publications	106	40,237	-	40,343	-	-	40,343	12,047
Insurance	-	-	-	-	-	53,110	53,110	41,904
Audit and financial services	-	-	-	-	-	52,826	52,826	43,482
Donor acknowledgement	-	-	-	-	8,485	-	8,485	18,047
Telephone	9,791	10,431	4,012	24,234	3,621	1,205	29,060	28,896
Bank and credit card fees	-	-	-	-	15,352	3,295	18,647	25,341
Business meals	4,385	8,864	1,733	14,982	3,736	1,448	20,166	20,121
Office supplies and postage	7,959	8,479	3,262	19,700	2,944	980	23,624	23,785
Seminars and meetings	32,694	52,264	1,245	86,203	100	-	86,303	105,482
Website development expense	-	-	18,584	18,584	-	-	18,584	19,143
Payroll and plan maintenance fees	-	-	-	-	-	11,499	11,499	9,668
Licenses/fees	200	200	-	400	5,254	737	6,391	5,638
Contract services	-	297,883	-	297,883	-	-	297,883	313,000
Legal	-	80,837	-	80,837	-	10,784	91,621	69,774
TOTAL EXPENSES	$ 4,431,136	$ 3,440,754	$ 1,373,127	$ 9,245,017	$ 1,048,170	$ 444,390	$ 10,737,577	$ 10,723,185

See Notes to Consolidated Financial Statements

BARRY GOLDWATER INSTITUTE FOR PUBLIC POLICY RESEARCH AND SUBSIDIARY

CONSOLIDATED STATEMENT OF CASH FLOWS

Year Ended December 31, 2024
(with summarized comparative totals for the year ended December 31, 2023)

	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 5,692,256	$ 24,962,212
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	153,110	134,748
Donated note receivable, net	(1,953,966)	-
Realized and unrealized gains on investments	(836,234)	(869,607)
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Pledges receivable	503,642	(447,633)
Other receivables	183,872	(183,872)
Prepaid expenses and other current assets	(19,858)	(7,259)
Increase (decrease) in:		
Accounts payable	(133,482)	106,875
Accrued and other current liabilities	(71,145)	(130,185)
Split interest agreement, net	(28,043)	(1,788)
Net cash provided by operating activities	3,490,152	23,563,491
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(51,228)	(221,022)
Collections on note receivable	38,161	-
Proceeds from sale of investments	41,263,218	21,998,723
Purchases of investments	(44,348,948)	(47,099,032)
Net cash used in investing activities	(3,098,797)	(25,321,331)
NET CHANGE IN CASH AND CASH EQUIVALENTS	391,355	(1,757,840)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	1,722,741	3,480,581
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 2,114,096	$ 1,722,741

(1) Institute operations and summary of significant accounting policies

Barry Goldwater Institute for Public Policy Research (the "Institute") was established in 1988 as an independent, non-partisan research and educational organization dedicated to the study of public policy. Through research, investigations, strategic litigation, testimony, advocacy, and education, the Institute's mission is to advance public policy and a rule of law under which individuals can shape their own destinies as free men and women. The Institute helps citizens understand and adopt policies that sustain and restore economic liberty, educational freedom, personal responsibility, and constitutional limits on government power consistent with the founding principles of our constitutional republic. When government oversteps its proper bounds, the Institute uses public interest litigation to enforce individual rights and constraints on government power guaranteed by our State and Federal constitutions. The Institute neither seeks nor accepts government funding and relies wholly on contributions from the private sector to fund its activities.

In February 2001 the Institute's Board of Directors formed ***Goldwater Institute Holding Company, LLC*** (the "Holding Company") with the Institute as the sole member. The Holding Company was formed to hold and manage the Institute's real property. The Institute transferred its real property to the Holding Company in 2002.

The significant accounting policies followed by the Institute and its subsidiary, the Holding Company, collectively referred to in these consolidated financial statements as the "Institute," are summarized below:

Basis of presentation – The accompanying consolidated financial statements are presented in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 958-205, *Not-for-Profit Entities – Presentation of Financial Statements*. Under ASC 958-205, the Institute is required to report information regarding their financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

The Institute maintains their accounts on the accrual basis of accounting. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

Net assets without donor restrictions
Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Institute. These net assets may be used at the discretion of the Institute's management and the board of directors.

Net assets with donor restrictions
Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Institute or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the consolidated statement of activities and changes in net assets.

(1) Institute operations and summary of significant accounting policies (continued)

Prior year summarized information – The consolidated financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Institute's audited consolidated financial statements for the year ended December 31, 2023, from which the summarized information was derived.

Principles of consolidation – The accompanying consolidated financial statements include the accounts of the Institute and its subsidiary, ***Goldwater Institute Holding Company, LLC***. All significant intercompany transactions and accounts have been eliminated in consolidation.

Management's use of estimates – The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America ("US GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Contributions and grants – The Institute evaluates grants and contributions for evidence of the transfer of commensurate value from the Institute to the grantor or resource provider. The transfer of commensurate value from the Institute to the grantor or resource provider may include instances when a) the goods or services provided by the Institute directly benefit the grantor or resource provider or are for the sole use of the grantor or resource provider, or b) the grantor or resource provider obtains proprietary rights or other privileges from the goods or services provided by the Institute. When such factors exist, the Institute accounts for the grants or contributions as exchange transactions under ASC 606, *Revenue from Contracts with Customers*, or other appropriate guidance. In the absence of these factors, the Institute accounts for the award under the contribution accounting model.

In the absence of the transfer of commensurate value from the Institute to the resource provider, the Institute evaluates the contribution for criteria indicating the existence of measurable barriers to entitlement for the Institute or the right of return to the resource provider. A barrier to entitlement is subject to judgment and generally represents an unambiguous threshold for entitlement that provides clarity to both the Institute and resource provider whether the threshold has been met and when. These factors may include measurable performance thresholds or limited discretion on the part of the Institute to use the funds. Should the existence of a measurable barrier to entitlement exist and be accompanied by a right of return of the funds to the resource provider or a release of the resource provider from the obligation, the contribution is treated as a conditional contribution. If both the barrier to entitlement and right of return do not exist, the contribution is unconditional.

The Institute recognizes amounts received from unconditional contributions at the time the Institute receives notification of the award. Contributions that include conditions imposed by the grantor or resource provider are recognized when those conditions are met by the Institute.

Board members represented approximately 3% and 1% of contributions for the years ended December 31, 2024 and 2023, respectively.

(1) Institute operations and summary of significant accounting policies (continued)

The Institute accounts for unconditional contributions in accordance with FASB ASC 958-605*, Not-for-Profit Entities – Revenue Recognition*. Contributions received are recorded as contributions without donor restrictions or contributions with donor restrictions depending on the existence and/or nature of any donor restrictions. All donor-restricted support is reported as an increase in net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statement of activities and changes in net assets as net assets released from restrictions. Restricted contributions, where restrictions are fulfilled in the same period in which the contribution is received, are shown as additions to net assets without donor restrictions.

Special events revenue – The Institute conducts special events in which a portion of the gross proceeds paid by the participant represents payment for the direct cost of the benefits received by the participant at the event. Unless a verifiable, objective means exists to demonstrate otherwise, the fair value of meals and entertainment provided at special events is measured at the actual cost to the Institute. The direct costs of the special events which ultimately benefit the donor rather than the Institute are recorded as costs of direct donor benefits. All proceeds received in excess of the direct costs are recorded as gross profit on special events in the accompanying consolidated statement of activities and changes in net assets. As of December 31, 2024 and 2023, the Institute had not received proceeds for events scheduled to occur in the following fiscal year.

Donated materials and services – In September 2020, the FASB issued Accounting Standards Update (“ASU”) No. 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The Institute implemented ASU 2020-07 during the year ended December 31, 2022 and presents contributed nonfinancial assets separately on the consolidated statement of activities and changes in net assets as in-kind contributions.

The Institute receives various in-kind contributions in the form of donated services, supplies, and other materials. Donated materials are recorded at their estimated fair value as of the date of donation. In-kind contributions are valued using estimated prices of identical or similar services and products in the local retail markets (Level 2 inputs). Donated materials are reflected as contributions in the consolidated statement of activities and changes in net assets at their estimated fair values at the date of receipt. Donated services are recognized as contributions in accordance with FASB ASC 958-605 if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased. When these conditions are met, the fair value of the donated services is reflected as contributions in the consolidated statement of activities and changes in net assets. No amounts have been reflected in the accompanying consolidated financial statements for certain donated volunteer services because they did not qualify for recording under the guidelines of FASB ASC 958-605.

The Institute received donated services from various attorneys. The Institute received the following donated materials and services during the years ended December 31:

	2024	2023
Donated legal and research services for programs	$ 2,508,700	$ 3,039,834
Other donated materials and services	4,800	-
Total donated materials and services	$ 2,513,500	$ 3,039,834

During 2024 and 2023, the Institute received a significant contribution of donated legal and research services for programs from one donor that approximated 90% and 99% of these donated services, respectively.

(1) Institute operations and summary of significant accounting policies (continued)

Cash and cash equivalents – Cash consists of cash and, at times, cash equivalents consisting of highly liquid financial instruments purchased with original maturities of three months or less. Deposits at each financial institution are insured in limited amounts by the Federal Deposit Insurance Corporation ("FDIC").

Promises to give – Unconditional promises to give (pledges) that are to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are initially recorded at the fair value of their estimated future cash flows as of the date of the promise to give through the use of a present value discount technique. In periods subsequent to initial recognition, unconditional promises to give are reported at the amount management expects to collect and are discounted over the collection period using the same discount rate as determined at the time of initial recognition. The discount rate determined at the initial recognition of the unconditional promise to give is based upon management's assessment of many factors, including when the receivable is expected to be collected, the creditworthiness of the other parties, the Institute's past collection experience and its policies concerning the enforcement of promises to give, expectations about possible variations in the amount or timing, or both, of the cash flows, and other factors concerning the receivable's collectability. Amortization of the discounts is included in support from contributions. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Pledges receivable are stated at the amount management expects to collect. Management provides for uncollectible amounts through a charge to earnings and a credit to a valuation allowance. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to pledges receivable. At December 31, 2024 and 2023, pledges receivable are considered by management to be fully collectible, and, accordingly an allowance for uncollectible pledges is not considered necessary. Pledges receivable consist of balances due in less than one year as of December 31, 2024 and 2023.

Note receivable – Note receivable is reported at the unpaid principal balance, less an imputed discount, and less any necessary adjustments for an allowance for expected credit loss. Management provides for any expected credit losses through a charge to earnings and a credit to an allowance for expected credit losses based upon its assessment of historical experience, current conditions, and reasonable and supportable forecasts. The Institute monitors the credit quality of the note receivable on an ongoing basis. At December 31, 2024, the note receivable was considered by management to be fully collectible and accordingly, an allowance for expected credit losses was not deemed necessary.

Investments – The Institute carries investments in marketable equity securities with readily determinable fair values at their fair values based on quoted prices in active markets (all Level 1 measurements) in the consolidated statement of financial position in accordance with FASB ASC 958-321, *Not-for-Profit Entities – Investments – Equity Securities.*

As of December 31, 2024 and 2023, the Institute holds investments in equity instruments without readily determinable fair values consisting of investments in non-traded real estate investment trusts ("REITs") which are further described in Note 3. Additionally, the Institute invests in certain investments that qualify for the use of Net Asset Value ("NAV") as a practical expedient for fair value as permitted under FASB ASC 820, *Fair Value Measurement*.

(1) Institute operations and summary of significant accounting policies (continued)

The Institute adjusts the carrying value of non-marketable equity securities that do not qualify for the NAV practical expedient up or down for observable price changes in orderly transactions for identical or similar investments of the same issuer and for impairment, if any (referred to as the measurement alternative). All gains and losses on non-marketable equity securities, realized and unrealized, are recognized in the consolidated statement of activities and change in net assets. As of December 31, 2024 and 2023, the carrying value of the Institute's investments in non-marketable equity securities valued using the measurement alternative was approximately $0 and $61,000, respectively.

Investments are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in risks in the near term would materially affect account balances and the amounts reported in the accompanying consolidated financial statements.

The Institute classifies its investment holdings as long-term assets in the consolidated statement of financial position based on management's intent and the expectation that the investments will provide long-term benefit to the Institute.

Fair value measurements – FASB ASC 820, *Fair Value Measurement*, establishes a common definition for fair value to be applied to accounting principles generally accepted in the United States of America requiring use of fair value, establishes a framework for measuring fair value, and expands disclosures about such fair value measurements. FASB ASC 820 also establishes a hierarchy for ranking the quality and reliability of the information used to determine fair values. FASB ASC 820 also requires that assets and liabilities carried at fair value be classified and disclosed in one of the following three categories:

Level 1: Unadjusted quoted market prices in active markets for identical assets or liabilities.

Level 2: Unadjusted quoted prices in active markets for similar assets or liabilities, unadjusted quoted prices for identical or similar assets or liabilities in markets that are not active, or inputs other than quoted prices that are observable for the asset or liability.

Level 3: Unobservable inputs for the asset or liability.

Investments valued using NAV as a practical expedient are excluded from the fair value measurements leveling table in accordance with FASB ASC 820.

Property and equipment and related depreciation and amortization – Purchased property and equipment is valued at cost, and donated property and equipment is recorded at fair value at the date of gift to the Institute. Maintenance and repairs are charged to operations when incurred. Betterments and renewals in excess of $1,000 are capitalized. When property and equipment are sold or otherwise disposed of, the asset account and related accumulated depreciation or amortization account are relieved, and any gain or loss is included in operations. Depreciation and amortization of property and equipment is computed on a straight-line basis over the following estimated useful lives:

Buildings and improvements	39 years
Furniture and equipment	3 - 15 years

(1) Institute operations and summary of significant accounting policies (continued)

Impairment of long-lived assets – The Institute accounts for long-lived assets in accordance with the provisions of FASB ASC 360, *Property, Plant, and Equipment*. FASB ASC 360 requires that long-lived assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell. No impairment charges were recorded for the years ended December 31, 2024 and 2023.

Functional expenses – Expenses are charged to program services, management and general, and fundraising categories based on direct expenditures incurred. The expenses that are allocated include building expense, telephone, office supplies and expenses, equipment lease and technology, which are allocated on a full time equivalent basis, as well as salaries and benefits, which are allocated on the basis of estimates of time and effort.

Advertising expense – Advertising costs are charged to operations when incurred. Advertising expense charged to operations was $765,648 and $1,168,174 for 2024 and 2023, respectively.

Income tax status – The Institute qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and, accordingly, there is no provision for income taxes. Income determined to be unrelated business taxable income would be taxable. ***Goldwater Institute Holding Company, LLC*** is a disregarded entity for income tax purposes.

The Institute evaluates their uncertain tax positions, if any, on a continual basis through review of their policies and procedures, review of their regular tax filings, and discussions with outside experts. At December 31, 2024 and 2023, management believes the Institute does not have any uncertain tax positions. The Institute's federal Returns of Organization Exempt from Income Tax (Form 990) for 2021, 2022 and 2023 are subject to examination by the IRS, generally for the three years after they were filed. The return for the year ended December 31, 2024 has not yet been filed as of the date of this report.

Subsequent events - The Institute has evaluated subsequent events through May 23, 2025, which is the date the consolidated financial statements were available to be issued.

(2) Note receivable

In June 2024, the Institute was assigned, as an additional contribution from the Van Sittert trust (See Note 8), a 50% participating interest in a note receivable. The note provides for monthly payments including principal and interest at an interest rate of 4% using a twenty-five year amortization period. A final balloon payment is due on March 1, 2027. The note is secured by a Deed of Trust for real property that was constructed by the borrower. The outstanding balance of the Institute's participating interest in the note on December 31, 2024, was $2,110,609.

(2) Note receivable (continued)

In accordance with FASB ASC 958-605, the Institute recognized the note receivable at fair value upon receipt of the participating interest. Accordingly, the Institute recognized a discount on the note receivable such that the effective interest rate on the note receivable was approximately 7.75%.

The annual maturities and discount on the Institute's interest in the note receivable as of December 31, 2024 are as follows:

Years Ending December 31,	
2025	$ 78,647
2026	81,851
2027	1,950,111
Total note maturities	2,110,609
Discount on note receivable	(194,804)
Net note receivable	$ 1,915,805

(3) Investments

Investments consist of the following at December 31:

	2024	**2023**
Common stocks	$ 351,706	$ 288,383
Real estate investment trusts (not publicly traded)	-	61,084
U.S. equity exchange traded funds	1,106,032	1,170,570
Business development company funds	10,464	39,049
U.S. fixed income funds	30,262	30,147
Money market funds	144,140	600,873
Government securities	36,955,747	32,482,312
Other exchange traded funds	26,284	30,253
Total investments	$ 38,624,635	$ 34,702,671

The Institute's investments in real estate investment trusts that were not publicly-traded were subject to redemption restrictions. In order for the Institute to redeem its investments in these real estate investment trusts at a value at least equal to cost, the Institute would be required to hold the investment for a minimum of four years unless the trusts are subject to a public offering or a price per share unrelated to the original offering price is established. The primary investment objectives of the trusts are to preserve and return capital contributions of investors and to provide investors with attractive and stable cash distributions. The Institute redeemed its investments in these investments during 2024.

The Institute's holdings in government securities are primarily invested in United States treasury notes due in 2025.

(4) Fair value measurements

The following table summarizes the valuation of the Institute's assets and liabilities subject to fair value measurement other than at initial recognition by the FASB ASC 820 categories as of December 31, 2024:

	Level 1	Level 2	Level 3	Total
Common stocks	$ 351,706	$ -	$ -	$ 351,706
U.S. equity exchange traded funds	1,106,032	-	-	1,106,032
U.S. fixed income funds	30,262	-	-	30,262
Money market funds	144,140	-	-	144,140
Government securities	36,955,747	-	-	36,955,747
Other exchange traded funds	26,284	-	-	26,284
	$ 38,614,171	$ -	$ -	$ 38,614,171

The following table summarizes the valuation of the Institute's assets and liabilities subject to fair value measurement other than at initial recognition by the above categories as of December 31, 2023:

	Level 1	Level 2	Level 3	Total
Common stocks	$ 288,383	$ -	$ -	$ 288,383
U.S. equity exchange traded funds	1,170,570	-	-	1,170,570
U.S. fixed income funds	30,147	-	-	30,147
Money market funds	600,873	-	-	600,873
Government securities	32,482,312	-	-	32,482,312
Other exchange traded funds	30,253	-	-	30,253
	$ 34,602,538	$ -	$ -	$ 34,602,538

The Level 1 assets above were valued utilizing quoted market prices. The Institute currently has no other assets and liabilities subject to fair value measurement other than at initial recognition.

In accordance with FASB ASC 820, the Institute is required to disclose the nature and risks of the investments reported at NAV.

The following table summarizes the nature and risk of these investments as of December 31, 2024 and 2023:

	Fair Value 2024	Fair Value 2023	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Business development company fund 1	$ -	$ 27,879	$ -	n/a	n/a
Business development company fund 2	10,464	11,170	-	n/a	n/a
Total	$ 10,464	$ 39,049	$ -		

(4) Fair value measurements (continued)

Business development company fund 1 – This fund is a business development company fund that makes investments in a diversified portfolio of established middle market private companies. The fund's target investments are loans that are potentially secured by company assets. The fair values of the investments in this category have been estimated using the net asset value per share of the underlying investments. Although common unit holders will not have the right to redeem their units, at its discretion the Board of Trustees of the fund intends to make quarterly tender offers for its common units at the net asset value as of the applicable tender date.

Business development company fund 2 – This fund is a business development company fund that primarily invests in senior debt, subordinated debt, structured products, and equity investments. The fair values of the investments in this fund have been estimated using the net asset value per share of the underlying investments. Although common unit holders will not have the right to redeem their units, at its discretion the Board of Trustees of the fund intends to make quarterly tender offers for its common units at the net asset value as of the applicable tender date.

(5) Property and equipment

Property and equipment consist of the following at December 31:

	2024	2023
Cost and donated value:		
Land	$ 189,322	$ 189,322
Buildings and improvements	2,660,357	2,660,357
Furniture and equipment	1,539,748	1,488,519
Total cost and donated value	4,389,427	4,338,198
Accumulated depreciation and amortization	(3,004,472)	(2,851,361)
Property and equipment, net	$ 1,384,955	$ 1,486,837

Depreciation and amortization expense charged to operations was $ 153,110 and $134,748 , respectively, for the years ended December 31, 2024 and 2023.

(6) Split interest agreement

In February 2017, the Institute entered into a charitable gift annuity agreement with an annuitant. The annuitant contributed $100,000 which was invested in marketable securities that are included in investments on the accompanying consolidated statement of financial position and are carried at fair value. Contribution revenues are recognized at the date the annuity is established after recording liabilities for the present value of the estimated future payments to be made to the donor and/or other beneficiaries. Present values are calculated using discount rates that reflect the fair value as determined at the time the annuity is established. On an annual basis, the Institute revalues the liability based on applicable mortality tables and a discount rate of 2.0%. The present value of the estimated annuity payments associated with the charitable gift annuity was $0 and $28,043 at December 31, 2024 and 2023, respectively.

(7) Net assets with donor restrictions

Net assets with donor restriction consist of the following at December 31:	2024	2023
Van Sittert Center quasi-endowment	$ 24,426,257	$ 23,316,345
Van Sittert Center	1,915,805	-
Endowments held in perpetuity	915,185	915,185
Constitutional litigation center	552,036	485,643
Administrative state	279,768	272,841
Criminal justice reform	4,372	36,207
Property rights	-	44,306
Endowment earnings subject to appropriation	21,414	13,623
Reagan fellows	130,765	91,617
Pledges restricted by time only	62,158	65,800
Healthcare	162,328	50,000
Critical race theory & academic transparency	39,459	133,500
Other	30,190	20,833
Total net assets with donor restriction	$ 28,539,737	$ 25,445,900

Net assets released from restriction consist of the following for the year ended December 31, 2024:

Administrative state	$ 272,841
Property Rights	44,306
Parental Rights	50
Constitutional litigation center	90,890
Critical Race Theory & Academic Transparency	133,500
Anti-Trust	20,784
Criminal Justice Reform	31,835
Healthcare	50,000
Time release	65,800
Total net assets released from restriction	$ 710,006

(8) Endowments

The Institute's endowments consist of the following individual funds:

	2024	2023
Duncan Endowment	$ 700,000	$ 700,000
McClelland Fellowship	100,330	100,330
Norton Fellowship	64,025	64,025
Goldberg Endowment	50,830	50,830
Total endowment funds held in perpetuity	915,185	915,185
Van Sittert quasi-endowment	24,426,257	23,316,345
Accumulated earnings subject to spending policies	640,255	499,992
Total endowment funds	$ 25,981,697	$ 24,731,522

The earnings from the Duncan endowment are restricted to support the constitutional litigation center. The earnings from the McClelland and Norton endowments are restricted to support Reagan fellows. The earnings from the Goldberg endowment are not restricted for a specific purpose.

The Logan and Barbara Van Sittert quasi-endowment was established in 2023 using donor restricted funding. The donor's restricted the use of the contribution for the establishment of the Logan and Barbara Van Sittert Center for Constitutional Advocacy ("Van Sittert Center"). The intent is for the Van Sittert Center to be a permanent part of the Institute's freedom infrastructure. The funds from this contribution are restricted exclusively for efforts advanced by the Van Sittert Center.

As required by US GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor imposed restrictions.

In September 2008, the State of Arizona enacted ARS§10-11801 et seq Management of Charitable Funds Act ("MCFA"). The Board of Directors of the Institute has interpreted MCFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Institute classifies as net assets restricted in perpetuity (a) the original value of gifts donated to the perpetual endowment, (b) the original value of subsequent gifts to the perpetual endowment, and (c) accumulations to the perpetual endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified as net assets restricted in perpetuity is classified as net assets subject to purpose or time restrictions based upon the presence or absence of direction from the donor and are appropriated for expenditure by the Institute in a manner consistent with the standard of prudence prescribed by MCFA. In accordance with MCFA, the Institute considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

(1) The duration and preservation of the fund
(2) The purposes of the Institute and the donor-restricted endowment fund
(3) General economic conditions
(4) The possible effect of inflation and deflation
(5) The expected total return from income and the appreciation of investments
(6) Other resources of the Institute
(7) The investment policies of the Institute

(8) Endowments (continued)

The changes in endowment net assets for the year ended December 31, 2024 are as follows:

	Without donor restrictions	With donor Restrictions	Total
Endowment net assets, January 1, 2024	$ -	$ 24,731,522	$ 24,731,522
Contributions	-	580,820	580,820
Investment Return:			
Interest and dividends	-	720,374	720,374
Realized and unrealized gains	-	614,981	614,981
Appropriations for expenditures	-	(666,000)	(666,000)
Endowment net assets, December 31, 2024	$ -	$ 25,981,697	$ 25,981,697

The changes in endowment net assets for the year ended December 31, 2023 are as follows:

	Without donor restrictions	With donor Restrictions	Total
Endowment net assets, January 1, 2023	$ -	$ 1,304,876	$ 1,304,876
Contributions	-	$ 23,082,703	$ 23,082,703
Investment Return:			
Interest and dividends	-	262,003	262,003
Realized and unrealized losses	-	543,965	543,965
Appropriations for expenditures	-	(462,025)	(462,025)
Endowment net assets, December 31, 2023	$ -	$ 24,731,522	$ 24,731,522

The Institute has adopted investment and spending policies to support current operations through a total return investment strategy and a spending policy to maintain, and ideally increase, the purchasing power of the endowment, without putting the principal value of these funds at prudent risk. Endowment assets include those assets of donor-restricted funds that the Institute must hold in perpetuity. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce sufficient liquidity to meet distribution requirements, earn a total return of 3% in excess of inflation as measured by the Consumer Price Index over a five-year time horizon, earn competitive returns relative to capital market measures, including broad market indices, as well as funds with similar objectives.

To satisfy its long-term rate-of-return objectives, the Institute relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Institute targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

(8) Endowments (continued)

The income and/or gains earned by endowment funds are considered revenue without donor restrictions and may be distributed to the Institute as general support revenue for its programs, unless otherwise restricted by the original donor's intent. On at least an annual basis the Executive Committee of the Board of Directors shall recommend to the Board of Directors an amount to be transferred from the unrestricted income and/or gain of the endowment funds to the general operating fund of the Institute. At no time shall the donor-restricted original contributions to the endowment funds be invaded.

As a matter of prudence, no distribution of income and/or gain shall decrease the total fair value of the endowment funds below the donor-restricted original contribution balance. The Executive Committee may distribute all income and/or gains earned by the endowment funds on an annual basis unless otherwise restricted by the original donor's intent.

(9) Liquidity and availability of resources

The Institute monitors its cash flows to ensure the fulfillment of all obligations. As part of the Institute's liquidity plan, excess cash is invested in short-term investments, primarily government securitiess, so as to have readily liquid investments available as needed. Investments may be drawn upon, if necessary, to meet unexpected liquidity needs or in the event of financial distress.

Financial assets available for general expenditure that is, without donor or other restrictions limiting their use, within one year of the balance sheet date are as follows:

	2024	2023
Cash and cash equivalents	$ 2,114,096	$ 1,722,741
Pledges receivable, net	62,158	565,800
Note receivable, net	1,915,805	-
Other receivables	-	183,872
Investments	38,624,635	34,702,671
Total financial assets	42,716,694	37,175,084
Less:		
Financial assets with donor restrictions	(28,539,737)	(25,445,900)
Investment subject to liquidity restrictions	(10,464)	(100,133)
Financial assets available to meet cash needs for general expenditure within one year	$ 14,166,493	$ 11,629,051

(10) Retirement plan

As of January 1, 2009, the Institute implemented a 403(b) retirement plan. The plan is a non-safe harbor plan with the employer matching contributions subject to a 6 year graded vesting schedule. The amount of the Institute's match is discretionary and will be determined by the Institute on an annual basis. Contributions totaling $ 93,881 and $ 73,892 for the years ended December 31, 2024 and 2023, respectively, were made by the Institute, in addition to the elective deferrals made by employees.