



**BARRY GOLDWATER INSTITUTE FOR
PUBLIC POLICY RESEARCH AND SUBSIDIARY**

CONSOLIDATED FINANCIAL STATEMENTS

Year Ended December 31, 2025



**BARRY GOLDWATER INSTITUTE FOR
PUBLIC POLICY RESEARCH AND SUBSIDIARY**

CONSOLIDATED FINANCIAL STATEMENTS

Year Ended December 31, 2025

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CBIZ CPAs P.C.

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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, 2025, 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, 2025, 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.

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 2024 consolidated financial statements and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 23, 2025. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2024, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

CBIZ CPAs P.C.

Phoenix, Arizona
May 21, 2026

**BARRY GOLDWATER INSTITUTE FOR
PUBLIC POLICY RESEARCH AND SUBSIDIARY**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

December 31, 2025
(with summarized comparative totals as of December 31, 2024)

	<u>A S S E T S</u>		
		<u>2025</u>	<u>2024</u>
CURRENT ASSETS			
Cash and cash equivalents	\$	2,477,434	\$ 2,114,096
Pledges receivable		52,434	62,158
Note receivable		81,852	78,647
Prepaid expenses and other current assets		62,969	67,849
TOTAL CURRENT ASSETS		<u>2,674,689</u>	<u>2,322,750</u>
NOTE RECEIVABLE, net		1,852,310	1,837,158
INVESTMENTS		40,574,259	38,624,635
PROPERTY AND EQUIPMENT, net		<u>1,247,665</u>	<u>1,384,955</u>
TOTAL ASSETS	\$	<u><u>46,348,923</u></u>	\$ <u><u>44,169,498</u></u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES			
Accounts payable	\$	136,806	\$ 231,025
Accrued and other current liabilities		<u>352,792</u>	<u>149,924</u>
TOTAL CURRENT LIABILITIES		489,598	380,949
TOTAL LIABILITIES		<u>489,598</u>	<u>380,949</u>
NET ASSETS			
Without donor restrictions		16,144,689	15,248,812
With donor restrictions		<u>29,714,636</u>	<u>28,539,737</u>
TOTAL NET ASSETS		<u>45,859,325</u>	<u>43,788,549</u>
TOTAL LIABILITIES AND NET ASSETS	\$	<u><u>46,348,923</u></u>	\$ <u><u>44,169,498</u></u>

**BARRY GOLDWATER INSTITUTE FOR
PUBLIC POLICY RESEARCH AND SUBSIDIARY**

CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

Year Ended December 31, 2025
(with summarized comparative totals for the year ended December 31, 2024)

	Without Donor Restrictions	With Donor Restrictions	Totals	
			2025	2024
SUPPORT, REVENUES AND GAINS				
Contributions	\$ 4,905,093	\$ 81,520	\$ 4,986,613	\$ 8,346,774
Foundation contributions and grants	1,136,056	1,489,716	2,625,772	2,753,750
In-kind contributions	2,774,006	-	2,774,006	2,513,500
Interest and dividends, net	687,958	1,109,959	1,797,917	1,184,139
Realized and unrealized gains	53,527	151,358	204,885	836,234
Other income	322,770	-	322,770	382,416
Total support, revenues, and gains before special events and net assets released from restrictions	9,879,410	2,832,553	12,711,963	16,016,813
Special events:				
Special events revenues	527,858	-	527,858	413,020
Less costs of direct donor benefits	(57,810)	-	(57,810)	(61,728)
Gross profit on special events	470,048	-	470,048	351,292
Net assets released from restrictions	1,657,654	(1,657,654)	-	-
TOTAL SUPPORT, REVENUES AND GAINS	12,007,112	1,174,899	13,182,011	16,368,105
EXPENSES:				
Programs:				
Litigation	4,850,482	-	4,850,482	4,431,136
Legislation	3,175,097	-	3,175,097	3,440,754
Communications	1,215,651	-	1,215,651	1,373,127
Total programs	9,241,230	-	9,241,230	9,245,017
Fundraising	1,471,951	-	1,471,951	986,442
Management and general	398,054	-	398,054	444,390
TOTAL EXPENSES	11,111,235	-	11,111,235	10,675,849
CHANGE IN NET ASSETS	895,877	1,174,899	2,070,776	5,692,256
NET ASSETS, BEGINNING OF YEAR	15,248,812	28,539,737	43,788,549	38,096,293
NET ASSETS, END OF YEAR	\$ 16,144,689	\$ 29,714,636	\$ 45,859,325	\$ 43,788,549

See Notes to Consolidated Financial Statements

**BARRY GOLDWATER INSTITUTE FOR
PUBLIC POLICY RESEARCH AND SUBSIDIARY**

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2025
(with summarized comparative totals for the year ended December 31, 2024)

	<u>Programs</u>				<u>Support Services</u>		<u>Totals</u>	
	<u>Litigation</u>	<u>Legislation</u>	<u>Communications</u>	<u>Total Programs</u>	<u>Fundraising</u>	<u>Management and General</u>	<u>2025</u>	<u>2024</u>
Wages and salaries	\$ 1,407,828	\$ 1,476,138	\$ 727,554	\$ 3,611,520	\$ 597,470	\$ 123,628	\$ 4,332,618	\$ 4,012,020
In-kind legal and research expense	2,772,506	-	-	2,772,506	-	-	2,772,506	2,508,700
Contract labor	15,000	485,119	140,249	640,368	294,656	75,646	1,010,670	787,717
Employee benefits	120,964	129,808	58,442	309,214	43,301	9,126	361,641	402,859
Direct mail	-	-	103,719	103,719	9,019	-	112,738	195,941
Payroll taxes	99,536	105,346	51,669	256,551	42,756	8,898	308,205	283,683
Depreciation and amortization	51,769	52,444	26,324	130,537	21,008	4,252	155,797	153,110
Travel	41,772	92,950	20,416	155,138	35,339	1,994	192,471	136,527
Gala fundraising event	-	-	-	-	291,019	-	291,019	195,894
Building expense	33,895	34,337	17,235	85,467	13,755	2,784	102,006	115,837
Dues and subscriptions	32,415	93,117	19,870	145,402	37,486	31,690	214,578	187,026
Technology	3,135	3,176	1,594	7,905	1,272	258	9,435	7,592
Litigation fees and attorney's fees	174,502	-	-	174,502	-	-	174,502	141,613
Event	1,248	451	-	1,699	38,728	358	40,785	23,140
Direct donor benefits	-	-	-	-	57,810	-	57,810	61,728
Advertising and public relations	4,528	299,846	23,296	327,670	1,021	-	328,691	765,648
Printing and research publications	-	-	-	-	-	-	-	40,343
Insurance	-	-	-	-	-	57,019	57,019	53,110
Audit and financial services	-	-	-	-	-	51,821	51,821	52,826
Donor acknowledgement	-	-	-	-	9,046	-	9,046	8,485
Telephone	9,223	9,343	4,690	23,256	3,743	757	27,756	29,060
Bank and credit card fees	-	-	-	-	15,352	3,325	18,677	18,647
Business meals	6,134	17,236	1,957	25,327	5,748	1,866	32,941	20,166
Office supplies and postage	8,270	8,377	4,205	20,852	3,356	744	24,952	23,624
Seminars and meetings	67,557	55,386	650	123,593	1,860	505	125,958	86,303
Website development expense	-	-	13,781	13,781	-	-	13,781	18,584
Payroll and plan maintenance fees	-	-	-	-	-	13,730	13,730	11,499
Licenses/fees	200	200	-	400	6,016	737	7,153	6,391
Contract services	-	311,823	-	311,823	-	-	311,823	297,883
Legal	-	-	-	-	-	8,916	8,916	91,621
TOTAL EXPENSES	\$ 4,850,482	\$ 3,175,097	\$ 1,215,651	\$ 9,241,230	\$ 1,529,761	\$ 398,054	\$ 11,169,045	\$ 10,737,577

See Notes to Consolidated Financial Statements

**BARRY GOLDWATER INSTITUTE FOR
PUBLIC POLICY RESEARCH AND SUBSIDIARY**

CONSOLIDATED STATEMENT OF CASH FLOWS

Year Ended December 31, 2025
(with summarized comparative totals for the year ended December 31, 2024)

	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 2,070,776	\$ 5,692,256
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	155,797	153,110
Donated note receivable, net	-	(1,953,966)
Change in discount on note receivable	(97,002)	-
Realized and unrealized gains on investments	(204,885)	(836,234)
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Pledges receivable	9,724	503,642
Other receivables	-	183,872
Prepaid expenses and other current assets	4,880	(19,858)
Increase (decrease) in:		
Accounts payable	(94,219)	(133,482)
Accrued and other current liabilities	202,868	(71,145)
Split interest agreement, net	-	(28,043)
Net cash provided by operating activities	2,047,939	3,490,152
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(18,507)	(51,228)
Collections on note receivable	78,645	38,161
Proceeds from sale of investments	56,152,914	41,263,218
Purchases of investments	(57,897,653)	(44,348,948)
Net cash used in investing activities	(1,684,601)	(3,098,797)
NET CHANGE IN CASH AND CASH EQUIVALENTS	363,338	391,355
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	2,114,096	1,722,741
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 2,477,434	\$ 2,114,096

See Notes to Consolidated Financial Statements

**BARRY GOLDWATER INSTITUTE FOR
PUBLIC POLICY RESEARCH AND SUBSIDIARY**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year Ended December 31, 2025
(with summarized comparative totals for the year ended December 31, 2024)

(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.

**BARRY GOLDWATER INSTITUTE FOR
PUBLIC POLICY RESEARCH AND SUBSIDIARY**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year Ended December 31, 2025
(with summarized comparative totals for the year ended December 31, 2024)

(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, 2024, 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 7% and 3% of contributions for the years ended December 31, 2025 and 2024, respectively.

**BARRY GOLDWATER INSTITUTE FOR
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year Ended December 31, 2025
(with summarized comparative totals for the year ended December 31, 2024)

(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, 2025 and 2024, 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:

	2025	2024
Donated legal and research services for programs	\$ 2,772,506	\$ 2,508,700
Other donated materials and services	1,500	4,800
Total donated materials and services	\$ 2,774,006	\$ 2,513,500

During 2025 and 2024, the Institute received a significant contribution of donated legal and research services for programs from one donor that approximated 90% of these donated services for both 2025 and 2024.

**BARRY GOLDWATER INSTITUTE FOR
PUBLIC POLICY RESEARCH AND SUBSIDIARY**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year Ended December 31, 2025
(with summarized comparative totals for the year ended December 31, 2024)

(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, 2025 and 2024, 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, 2025 and 2024.

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, 2025, 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 debt securities and 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* and FASB ASC 958-320, *Not-for-Profit Entities – Investments – Debt Securities*.

**BARRY GOLDWATER INSTITUTE FOR
PUBLIC POLICY RESEARCH AND SUBSIDIARY**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year Ended December 31, 2025
(with summarized comparative totals for the year ended December 31, 2024)

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

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

**BARRY GOLDWATER INSTITUTE FOR
PUBLIC POLICY RESEARCH AND SUBSIDIARY**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year Ended December 31, 2025
(with summarized comparative totals for the year ended December 31, 2024)

(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, 2025 and 2024.

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 \$328,691 and \$765,649 for 2025 and 2024, 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, 2025 and 2024, 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 2022, 2023 and 2024 are subject to examination by the IRS, generally for the three years after they were filed. The return for the year ended December 31, 2025 has not yet been filed as of the date of this report.

Subsequent events - The Institute has evaluated subsequent events through May 21, 2026, 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, 2025, was \$2,031,964.

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(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, 2025 are as follows:

<u>Years Ending December 31,</u>		
2026	\$	81,852
2027		<u>1,950,112</u>
Total note maturities		2,031,964
Discount on note receivable		<u>(97,802)</u>
Net note receivable	\$	<u><u>1,934,162</u></u>

(3) Investments

Investments consist of the following at December 31:

	2025	2024
Common stocks	\$ 613,012	\$ 351,706
U.S. equity exchange traded funds	1,315,536	1,106,032
Business development company funds	-	10,464
U.S. fixed income funds	-	30,262
Money market funds	411,894	144,140
Government securities	38,217,824	36,955,747
Other exchange traded funds	<u>15,993</u>	<u>26,284</u>
Total investments	<u><u>\$ 40,574,259</u></u>	<u><u>\$ 38,624,635</u></u>

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 2025.

The Institute's holdings in government securities are primarily invested in United States treasury notes due in 2026.

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(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, 2025:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Common stocks	\$ 613,012	\$ -	\$ -	\$ 613,012
U.S. equity exchange traded funds	1,315,536	-	-	1,315,536
Money market funds	411,894	-	-	411,894
Government securities	38,217,824	-	-	38,217,824
Other	15,993	-	-	15,993
	<u>\$ 40,590,252</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 40,590,252</u>

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, 2024:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
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
	<u>\$ 38,614,171</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 38,614,171</u>

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, 2025 and 2024:

	<u>Fair Value 2025</u>	<u>Fair Value 2024</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
Business development company fund	\$ -	\$ 10,464	\$ -	n/a	n/a
Total	<u>\$ -</u>	<u>\$ 10,464</u>	<u>\$ -</u>		

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(4) Fair value measurements (continued)

Business development company fund – 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:

	2025	2024
Cost and donated value:		
Land	\$ 189,322	\$ 189,322
Buildings and improvements	2,670,820	2,660,357
Furniture and equipment	1,547,791	1,539,748
Total cost and donated value	4,407,933	4,389,427
Accumulated depreciation and amortization	(3,160,268)	(3,004,472)
Property and equipment, net	\$ 1,247,665	\$ 1,384,955

Depreciation and amortization expense charged to operations was \$155,797 and \$ 153,111 , respectively, for the years ended December 31, 2025 and 2024.

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(6) Net assets with donor restrictions

Net assets with donor restriction consist of the following at December 31:

	2025	2024
Van Sittert Center quasi-endowment	\$ 24,507,657	\$ 24,426,257
Van Sittert Center	1,934,162	1,915,805
Endowments held in perpetuity	915,185	915,185
Constitutional litigation center	660,903	552,036
Administrative state	-	279,768
Criminal justice reform	-	4,372
Endowment earnings subject to appropriation	32,006	21,414
Reagan fellows	151,054	130,765
Pledges restricted by time only	52,435	62,158
Healthcare	871,198	162,328
Critical race theory & academic transparency	148,592	39,459
Banking	69,705	-
Other	371,739	30,190
Total net assets with donor restriction	\$ 29,714,636	\$ 28,539,737

Net assets released from restriction consist of the following for the year ended December 31, 2025:

Administrative state	\$ 279,768
Right to Try	30,000
Fellows Program	13,959
Constitutional litigation center	50,000
Critical race theory & academic transparency	1,137,504
Criminal justice reform	4,372
Healthcare	132,328
Time release	9,723
Total net assets released from restriction	\$ 1,657,654

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(7) Endowments

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

	<u>2025</u>	<u>2024</u>
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	<u>915,185</u>	<u>915,185</u>
Van Sittert quasi-endowment	24,507,657	24,426,257
Accumulated earnings subject to spending policies	<u>830,964</u>	<u>640,255</u>
Total endowment funds	<u>\$ 26,253,806</u>	<u>\$ 25,981,697</u>

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 donors 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

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(7) Endowments (continued)

The changes in endowment net assets for the year ended December 31, 2025 are as follows:

	<u>Without donor restrictions</u>	<u>With donor Restrictions</u>	<u>Total</u>
Endowment net assets, January 1, 2025	\$ -	\$ 25,981,697	\$ 25,981,697
Contributions	-	35,986	35,986
Investment Return:			
Interest and dividends	-	1,109,959	1,109,959
Realized and unrealized gains	-	151,358	151,358
Appropriations for expenditures	-	(1,025,194)	(1,025,194)
Endowment net assets, December 31, 2025	<u>\$ -</u>	<u>\$ 26,253,806</u>	<u>\$ 26,253,806</u>

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

	<u>Without donor restrictions</u>	<u>With donor Restrictions</u>	<u>Total</u>
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 losses	-	614,981	614,981
Appropriations for expenditures	-	(666,000)	(666,000)
Endowment net assets, December 31, 2024	<u>\$ -</u>	<u>\$ 25,981,697</u>	<u>\$ 25,981,697</u>

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.

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(7) 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.

(8) 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 securities, 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:

	<u>2025</u>	<u>2024</u>
Cash and cash equivalents	\$ 2,477,434	\$ 2,114,096
Pledges receivable	52,434	62,158
Note receivable, current portion	81,852	78,647
Investments	<u>40,574,259</u>	<u>38,624,635</u>
Total financial assets	43,185,979	40,879,536
Less:		
Financial assets with donor restrictions	(29,714,636)	(28,539,737)
Investment subject to liquidity restrictions	<u>-</u>	<u>(10,464)</u>
Financial assets available to meet cash needs for general expenditure within one year	<u>\$ 13,471,343</u>	<u>\$ 12,329,335</u>

(9) 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 \$ 49,507 and \$ 93,881 for the years ended December 31, 2025 and 2024, respectively, were made by the Institute, in addition to the elective deferrals made by employees.