



2016 CIVITAS ANNUAL REPORT



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Letter from Our President

Dear Friends of Civitas,

2016 brought to fruition many positive trends for Civitas and North Carolina – even as challenges loom ahead in 2017.

Civitas continued to move ahead educating and inspiring North Carolinians and their elected representatives at all levels. Our polling and poll presentations highlighted trends in public opinion. Our events, especially the Conservative Leadership Conference, brought NC citizens together to discuss and address key issues.

Civitas research delivered insights and solutions on key issues, including economic growth, school choice and election reform. We connected people from across the state and nation through our monthly newspaper, online presence and social media.

We were also cheered to see conservative ideas being embraced, and being successful. North Carolina continued to enjoy a vibrant economy. Civitas had provided the “intellectual ammunition” for a series of vital fiscal reforms in NC in 2013, with the key document being a research report titled “More Jobs, Bigger Paychecks.”

In 2016, when we sponsored and published follow-up research, we titled that report, “More Jobs, Bigger Paychecks,” because that’s exactly what the earlier reforms delivered.

In the 2016 Short Session, the General Assembly generally kept spending under control, continued to reduce taxes, and made progress in other areas important to conservatives, such as expanding school choice.

In many ways, the November elections showed voters support these advances. The General Assembly’s Republican majority kept veto-proof majorities, while Republicans gained more county commissioner seats, added three Council of State offices, and maintained a 10-3 edge in Congress.

In short, Civitas continues to grow and pursue its mission, and the conservative ideas and policies we espouse are taking root in the fertile soil of the Old North State.

But 2017 is bringing continued battles, because 2016 demonstrated much needs to be done, and liberals won’t give up.

In North Carolina, in 2016 the legislature and governor didn’t take advantage of all the opportunities they had. Not enough was done to cut fat in the state budget or trim the red tape that is a drag on economic growth. More can be done to expand school choice and improve the election process.

Federal judges overturned North Carolina’s commonsense election reforms, such as photo ID for voters. And in 2016 the now overtly political and liberal 4th Circuit federal court struck down legislative districts the General Assembly created, which had already been cleared by other courts and the Obama Justice Department, and ordered new elections in 2017. Though the ruling is back in court, it’s hard to imagine an area in which federal judges won’t try to overrule the actions of voters’ elected representatives.

Meanwhile, Democrats enjoyed key wins at the ballot box. Roy Cooper is living in the Governor’s Mansion, and new Attorney General Josh Stein has the power of the state’s Justice Department at his disposal. Perhaps

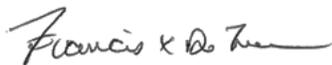
more ominously, Democratic Judge Mike Morgan defeated state Supreme Court Justice Bob Edmunds in the election. This leaves the “non-partisan” court with a 4-3 Democratic majority. And if early court cases are any indication, these changes may herald a new judicial activism at the state level.

Cooper is already showing that underneath his folksy exterior he’s a typical progressive. Stein may be even further to the Left. They are trying to use the courts to outflank the will of the elected legislators, and they surely will continue to do so. Cooper’s veto pen may also prove to be a weapon if legislative Republicans fail to hang tough in fighting the governor’s agenda.

Finally, there’s no sign liberal special interest groups have paused their efforts. If anything, the Left seems even more frantic than ever to amass power.

With that in mind, Civitas will move ahead with determination in 2017. We will vigorously fight to remove barriers to freedom so that all North Carolinians can enjoy a better life. We don’t for a moment doubt the Left will try anything to win. But we are confident a large majority of citizens are behind us, and that conservative ideals and policies will do the most to advance freedom, prosperity and human flourishing in North Carolina.

Semper Fi,



Col. Francis X. De Luca (USMC/Ret.)
President, The Civitas Institute



“We will vigorously fight to remove barriers to freedom so that all North Carolinians can enjoy a better life.”

Civitas Fights for Fair Elections

Civitas fought in 2016 to make sure our elections honestly represented the will of the voters.

A key issue was same-day registration and voting (SDR) which we have critiqued for years. With the close 2016 gubernatorial election highlighting the problem, the Civitas Center for Law and Freedom (CLF) filed a federal lawsuit requesting voter verification of same-day registrants in accordance with the law and constitution. We acted to ensure such votes are cast properly, and that all voters in North Carolina are treated equally and fairly. The heart of the case is that many SDR ballots are counted in the final tally even though the identity of the voters cannot possibly have been verified by election authorities.

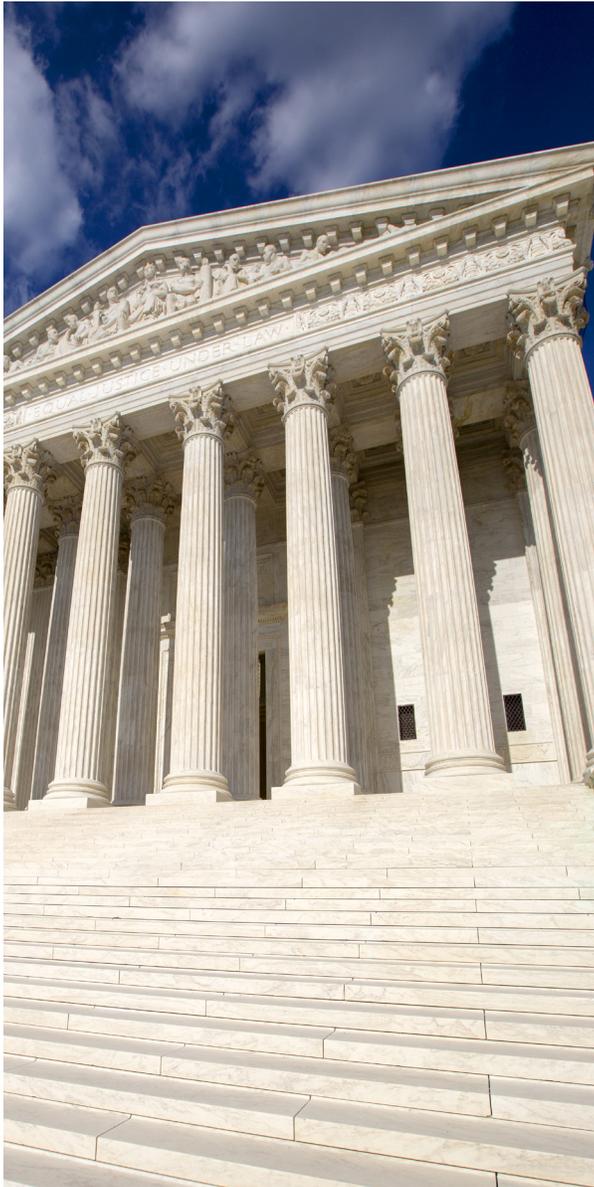
As Civitas President Francis De Luca said: “To count ballots without verification of same-day registration information discriminates by treating one class of voters differently from another. Furthermore, this calls into question the outcome of close elections. Legitimate voters should never have their votes cancelled by illegitimate voters.”

2016 also brought to the forefront

other troubling elections and voting issues Civitas has investigated for years. At the top of the list: Dr. E. Lee Cooley was fired by the State Board of Elections (SBE) after Civitas released a recording of her giving an audience voter registration “tips” that, if followed, could land people in jail.

We are not going to relent. In 2017, Civitas will keep fighting for fair, equal elections in the years to come.





Civitas Fights for the Rule of Law

As part of our efforts to ensure the rule of law is enforced, the Civitas Center for Law and Freedom (CLF) filed suit against then-Attorney General Roy Cooper in his capacity as attorney general, alleging he illegally funneled settlement funds from a legal action to special interest groups. The North Carolina Constitution and a 2005 NC Supreme Court decision both require all fines, forfeitures and settlements be directed to public schools.

In addition, one of the left-wing groups that received funding under this agreement may have supported political advertising against Gov. Pat McCrory, Cooper's opponent in the 2016 gubernatorial election.

"It is the job of the Attorney General to facilitate justice in our state, not undermine it," Civitas President Francis De Luca said. "By handing over funds to special interests, funds which are legally required to go to the support of public education in our state, Roy Cooper may have not just short-changed our education system, he may have violated the North Carolina Constitution."

CLF acted in a range of other issues in 2016, and in 2017 we will continue to defend the rule of law in North Carolina. As Francis De Luca mentioned in his Letter from the President, new Gov. Roy Cooper has already shown he's ready to run to the courts to impose his will on the state. The CLF stands ready to act whenever the new administration oversteps its proper legal bounds and infringes on our freedoms.



Civitas Research Propels Policy

Civitas also provides the insights and data for conservative policy. In 2016, that included “More Jobs, Bigger Paychecks,” an academic study of the state’s fiscal reforms of recent years. It concluded: “North Carolina’s recent, major changes in economic policy have resulted, thus far, in sizable increases in economic growth, employment, and salaries, and reductions in unemployment rates.” Specifically:

- Reforming income taxes in 2013 increased employment by 8,800 jobs and state GDP by \$800 million between 2013 and 2015.
- Reducing sales tax rates in 2011 increased employment by 11,000 jobs and state GDP by \$1.4 billion between 2011 and 2015.
- Reducing maximum unemployment insurance benefits increased employment by 35,000 jobs and state GDP by \$6.3 billion between 2012 and 2015.
- Reducing the maximum number of weeks of regular unemployment insurance benefits increased employment by 88,000 jobs and reduced the unemployment rate by 1 percentage point between 2012 and 2015.

Another study, authored by energy expert Dr. Timothy Consideine, found that North Carolina’s 12 percent renewable portfolio standard (RPS) will increase electricity prices by 42 percent by 2020, and cost the Tar Heel State up to 50,000 jobs. The study, “North Carolina’s Renewable Portfolio Standard: Examining the Economic Effects,” detailed the impact of RPS on electricity prices, job creation, and economic output through 2040.

Throughout the year, Civitas policy analysts made the case for free enterprise and limited government in a variety of forums, including online and print articles, interviews, public appearances, and discussions with opinion leaders across the state. Expect to hear more from us in 2017.

For copies of these reports or other Civitas materials, contact Carrie Leggins at 919-747-8052, or Carrie. Leggins@nccivitas.org.



Civitas Helps Children Get The Right Education

Civitas' efforts in the education field are focused largely on enhancing accountability and expanding parental choice for all families.

In 2016, Civitas took a leading role in educating policymakers and the general public about what many believe to be the future of school choice: Education Savings Accounts (ESA). ESAs transfer a percentage of per student state funding to parent-controlled accounts that can be used to pay for a student's educational expenses such as tuition, books, tutoring, testing, and related expenses. Five states now have ESA programs. Because ESAs give parents control over where and how their children are educated, upward of 30 other states are considering ESA legislation.

To help make ESAs a reality in North Carolina, Civitas developed an education campaign directed at policymakers and the general public. The campaign included a website, videos, and town hall meetings held in cities around North Carolina, including Raleigh, Greensboro, and Charlotte. Regular speakers included Jonathan Butcher, director of Education Studies at the Goldwater Institute and a primary architect of Arizona's ESA program, the oldest ESA program in the country; and Bart Danielsen, an associate professor of business management at North Carolina State University. Danielsen shared his unique research about housing patterns and his findings that choice schools and the tendency of parents to locate close to good schools can often serve to reinvigorate troubled neighborhoods.

In addition to town hall meetings, the ESA public education campaign also included articles on ESAs, op-eds, media interviews, meetings with legislators, and significant polling.

Civitas has been educating legislators and the general public about the advantages of ESAs since 2013. The first ESA bill was introduced in North Carolina – with bipartisan support – in 2015. The success of the public education campaign along with the growing popularity of ESAs makes Civitas hopeful the legislature will work to expand school choice in North Carolina.



FREEDOM

ACTION NETWORK

Civitas' 21st Century Talk Shows

The Freedom Action Network continues to grow and develop talk shows for listeners everywhere to hear discussions, debates and interviews about the hottest topics in today's news, politics and government.

The network has a special emphasis on providing the inside scoop on what's happening in state government, with an array of guests that includes some of the most important figures in the North Carolina General Assembly, the Council of State, and the state court system.

The network also serves a vital need by exploring issues vital to the conservative movement in North Carolina and the nation, including Second Amendment rights and firearms ownership. To that end, the programs feature a wide range of North Carolina and national political leaders, commentators and experts to keep our audience up to date with information they can't get elsewhere.

In August, the network took the next step in 21st century communications by transitioning to prerecorded podcasts so listeners can hear concise, timely programs on their smartphones or computers at the times and in the places convenient for them.

Moreover, the Freedom Action Network isn't finished growing and evolving. In 2017, the network is going to continue to explore today's communications world, and bring a wider array of voices than ever. Stay tuned to hear what will happen next in the network's drive to bring conservative news and views to people all over, when and where they want to hear it.

Freedom Action Network shows have featured key figures in state government, including:

- Lt. Gov. Dan Forest
- NC Supreme Court Chief Justice Mark Martin
- Speaker of the NC House Tim Moore
- President Pro Tem of the NC Senate Phil Berger
- House Majority Leader Rep. John Bell
- House Lead Budget Writer Rep. Nelson Dollar
- House Majority Whip Rep. Jon Hardister
- Rep. John Blust
- Sen. Bob Rucho

Notable nationally-known guests included:

- Eric Trump
- Lara Trump
- K.T. McFarland
- Gen. Michael Flynn
- The Benham Brothers
- Dr. Michael Brown
- Dr. Ralph Reed
- Ricky Skaggs
- Professor Mike Adams

Civitas Reaches Out

One of Civitas’ top priorities has been to supply accurate, reliable information and news to as many North Carolinians as possible. In 2016, we made strides in expanding our presence online, while continuing to make effective use of our traditional media.

Social media

2016 was a real breakthrough year for Civitas online. We greatly increased our digital impact and we continue to do so as 2017 advances.

Facebook impressions: 3,314,642
Facebook likes/increase: 15,007 (7.9% Increase)

Twitter impressions: 91,905
Twitter followers/increase: 6,585 (24.6% Increase)



NC Capitol Connection

Our established newspaper, NC Capitol Connection, was delivered monthly to a wide range of interested readers across the state.

It remains a trusted source of information, and an excellent vehicle for delivering conservative views to our supporters and carefully targeted households.

Our online version of NC Capitol Connection continued to grow and explore fresh ways of connecting with North Carolina citizens.

Average estimated monthly readership of NC Capitol Connection: 123,450



Website

2016 was in many respects the best year for www.nccivitas.org. Our social media and advertising strategies drove record numbers of visitors to the site.

| | Number of users | Number of page views |
|-------------|-----------------|----------------------|
| 2015 | 158,624 | 286,118 |
| 2016 | 383,965 | 628,992 |

Compared with the previous year (which was typical), our website attracted more than double the number of users, and those people looked at more than triple the number of pages.

Media outlets

Civitas was often cited in the news media – in newspaper and magazine articles, television and interviews, our own opinion pieces, and in the increasing variety of digital communications venues. Civitas citations in established news media: 478

Personal appearances

Civitas staff members also reached out personally to communicate with people across the state. This included one-on-one discussions with key opinion makers, attendance at relevant events, and talks to civic and community groups.

CLC Energizes and Educates

One of Civitas' most important activities is bringing people together to learn about, discuss, and act on the issues of our time. And our biggest event of the year is the Conservative Leadership Conference (CLC).

"CLC 2016 was again the must-attend conservative event of the year," Civitas President Francis De Luca said. "There was a real sense of excitement from beginning to end. Participants learned a lot and were energized for this crucial political year. We thank all who took part – and we're already planning for an even better CLC in 2017."

CLC brought together hundreds of conservatives from across North Carolina to learn from leading authors, experts and political figures March 4 and 5 at the Embassy Suites Cary. A few of the highlights included:

- In discussing the Middle East, Lt. Col. Allen West said, "It will go down as one of the biggest strategic military blunders in the history of the world that Barack Obama withdrew all of our military troops out of Iraq and allowed the reconstitution of Islamic terrorism."
- In the Friday keynote address, author and filmmaker Dinesh D'Souza compared left-wing ideology with criminal activity. "So what's the most valuable thing the world has ever produced? The United States of America," he said. "The big



Lt. Gov. Dan Forest



Lt. Col. Allen West

argument in American politics is — who gets to control that?" That, he added, reveals progressives' actual goal: "It is to steal your wealth."

- "As conservatives, it is time for us to offer a principled model of education," Lt. Gov. Dan Forest said. It can't be based on a 19th century model, however, but rather on a modern one. Consider the jump from old rotary telephones to today's cellphones. "That's kind of what we are talking about with education," he said.

Among the other speakers were filmmaker Ann McElhinney; Bob Woodson, founder and president of the Center for Neighborhood Enterprise; Brandon Darby, managing director of Breitbart Texas; Dr. Mark Harris, senior pastor of the First Baptist Church of Charlotte; Hans von Spakovsky, author and elections expert; Tim Phillips, president of Americans for Prosperity; and many more.

Other Events



In May, Civitas and the NC Values Coalition held a press conference to announce they had submitted a public records request to NC Attorney General Roy Cooper to determine what communication had transpired between Cooper and the US Department of Justice, among others, during the public debate over HB2. Such events are vital in keeping pressure on our public officials.

Civitas President Francis De Luca and NC Values Coalition Executive Director Tami Fitzgerald are shown speaking at a press conference May 9 in front of the state Department of Justice offices in Raleigh.



Among our most important events are our monthly poll presentations. These events give concerned citizens the chance to meet others with similar interests, and get the first look at what North Carolina voters are currently thinking. Our poll presentations also offer in-depth analysis of the polls and of North Carolina trends from our own experts and from outside commentators.

At a poll lunch, Francis De Luca (left) and John Davis (at right) analyze our August poll of unaffiliated voters.



In September, the Civitas President's Club hosted a special lunch event with economist Stephen Moore. Moore is the Distinguished Visiting Fellow, Project for Economic Growth, at The Heritage Foundation, and during the fall campaign served as an adviser to Donald Trump.

Stephen Moore (standing) outlines to the President's Club how the tax and fiscal reforms of 2013 have fueled the state economy. Seated at left is Lt. Gov. Dan Forest.

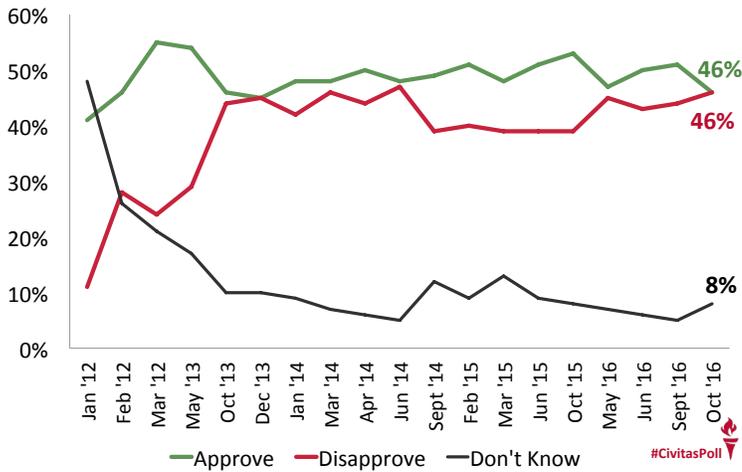


Civitas has made Education Savings Accounts (ESAs) a top priority. ESAs are taxpayer-funded accounts established to provide an education for qualified students. At a series of town hall and other events, experts, lawmakers and parents discussed how ESAs might give families help in getting their children the right education for them.

Civitas Senior Policy Analyst Bob Luebke explains ESAs at our town hall event Jan. 20, 2016 in Apex.

Civitas also holds a variety of other events to educate citizens and highlight key issues. In 2016, our town hall meetings on Education Savings Accounts (ESAs) brought together legislators, education experts, and concerned parents to discuss giving students more school choices. Press conferences gave us the chance to spread our messages through the media. Our monthly poll lunches allowed interested citizens to delve more deeply into the state of public opinion today. Other special occasions allowed us to bring in speakers, such as noted economist Stephen Moore, to bring us up to date on the hottest issues of the day. Most of all, these events allow us to hear from and learn from our supporters. Civitas believes it is vital to bring people together and to draw attention to the needs of North Carolina, and we are planning a range of events in 2017 to further advance these objectives.

Now, please tell me whether you approve or disapprove of the job that Pat McCrory is doing as Governor of North Carolina.



Civitas Polling

For more than a decade, Civitas Polls have been a vital resource for North Carolina citizens. Unfortunately, some other polls can mislead people. Some are done by organizations with a leftist slant; others are done by firms with an incentive to coddle clients; a few pollsters, even right here in North Carolina, are tainted by both biases. This becomes a problem when the Left uses faulty poll data to bamboozle people into thinking “everyone believes in X.”

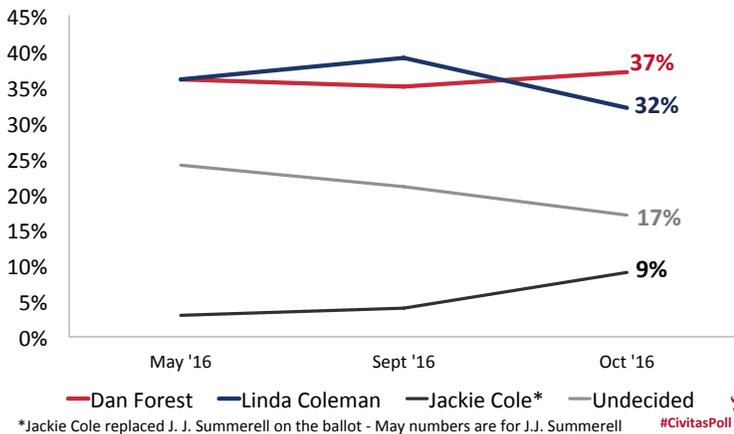
That’s why our polls are so essential to understand what is going on, and never more so than in the wild election year that just passed. Our polls provided voters, political junkies and media types with a clear window into what was happening.

Our polling was also praised by the highly regarded website FiveThirtyEight.com. We typically use one of two pollsters to conduct Civitas Polls: either National Research, Inc. or SurveyUSA. National Research usually does our monthly polling, and we rely on SurveyUSA for flash polls.

We know both to be extremely accurate, but the affirmation from the highly regarded FiveThirtyEight study is welcome. National Research received a B+ for accuracy and Survey USA received an A. These were both excellent marks!

Our polls will continue to provide vital insights throughout 2017.

If the election for Lieutenant Governor were being held today and you had to make a choice, for whom would you vote? Dan Forest, the Republican, Linda Coleman, the Democrat, or Jacki Cole*, the Libertarian?



*Jackie Cole replaced J. J. Summerell on the ballot - May numbers are for J.J. Summerell

Our polls uncover important trends. The upper graphic shows how voters’ view of Pat McCrory’s performance as governor dipped in October, presaging results at the ballot box. The lower graph shows how Lt. Gov. Dan Forest’s campaign gained momentum as the election neared, a harbinger of his win in November.

Civitas Helps Your Voice Be Heard

When we say Civitas is North Carolina's Conservative Voice, we mean that we help convey your views to decision-makers and to other concerned citizens across the Old North State.

For example, we sponsor petition drives online and in our NC Capitol Connection newspaper. By signing these petitions, you can urge our leaders to do the right thing, as in the text of one of our 2016 petitions, printed below:

Stop Roy Cooper from a Lawless Expansion of a Failing Welfare Program!

Roy Cooper has announced his intention to expand Medicaid by executive action. Expanding Medicaid is not only illegal under existing state law, but is bad policy for the health of the truly needy.

North Carolina law states:

“No department, agency, or institution of this State shall attempt to expand the Medicaid eligibility standards provided in S.L. 2011-145, as amended, or elsewhere in State law, unless directed to do so by the General Assembly.”

Even worse, Medicaid expansion in NC would soon cost taxpayers \$600 million per year, with more than 80% of this new entitlement going to able-bodied adults (mostly men), not children.

Expansion would cost NC thousands of jobs and force people into an over-crowded program that already produces poor health outcomes. The truly needy would suffer from crowding out caused by the flood of new enrollees.

In taking this action, Roy Cooper is violating state law and disregarding the taxpayers of North Carolina.

Financials

The Civitas Institute is funded by grants, contributions and event income. Civitas never takes money from any government. Below are the income figures by fiscal year, breaking down funding from the John William Pope Foundation and other sources. The Pope Foundation has long been our most generous donor even as we have worked to develop a wide range of supporters and funding sources. In FY2015, a majority of our funding – 54.6 percent – came from sources other than the Pope Foundation.

| Income Source | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
|------------------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Pope Foundation | \$1,215,000.00 | \$1,380,000.00 | \$1,305,000.00 | \$1,080,000.00 | \$1,080,000.00 | \$1,130,000.98 |
| Other Sources | \$170,031.82 | \$282,571.84 | \$559,971.78 | \$623,882.00 | \$755,790.00 | \$1,357,737.23 |
| Total | \$1,385,031.82 | \$1,662,571.84 | \$1,864,971.78 | \$1,703,882.00 | \$1,835,790.00 | \$2,487,738.21 |

| | | | | | | |
|---------------------------------------------------------------|-------|------|-------|-------|-------|-------|
| Percentage from sources other than the Pope Foundation | 11.2% | 9.4% | 27.8% | 36.6% | 41.2% | 54.6% |
|---------------------------------------------------------------|-------|------|-------|-------|-------|-------|

Get the Latest From Civitas

On the Web

Our website has grown and developed over the years, and in 2016 Civitas revamped the site to offer more information in a more user-friendly format. You can check it out for yourself at www.nccivitas.org.



Civitas' Carolina Transparency again proved to be a vital tool for pundits and political junkies by providing up-to-date, user-friendly data on voter registrations and actual voting in the state. To look back on how the 2016 voting shaped up, and to get the first harbingers of future elections might bring, go to www.carolinatransparency.com.



Thank You for Your Support

For most of our state's history, conservatives have faced opposition at every turn. Over a century-and-a-half of liberal administration resulted: government grew bigger and more burdensome, and the size and influence of far-left non-profit advocacy groups expanded.

Meanwhile, activist judges have ignored the Constitution in many high-profile cases, telling conservatives that we are on the wrong side of history and threatening decades of cultural oppression from the bench.

But this year, North Carolinians spoke and we learned that the time for compromising in the wrong direction is over. And now, with strong conservative majorities in the NC House and Senate, and with stalwart conservatives taking more Council of State offices, conservatives remain in a powerful position to lead our state to liberty, opportunity and prosperity.

At Civitas, we're bullish on the future of conservative ideas in our great state. In fact, we think that opportunities to shrink government and expand freedom are more plentiful now than ever. But we still have to fight for those opportunities.

Thankfully, donors like you ensure that we stay on offense, moving the ball

down the field one victory at a time. Donors like you allow us to hold the line against the Soros-backed liberal organizations that oppose us at every turn. And donors like you help us fight to remove barriers to freedom so all North Carolinians can live a better life.

Thank you for all your support of Civitas and for all you do to advance conservative ideas and expand our freedoms.

Gratefully yours,
Alexander Guin
Director of Development



CIVITAS
INSTITUTE



Civitas fights to remove barriers to freedom so that all North Carolinians can enjoy a better life.

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805 SPRING FOREST ROAD, SUITE 100 RALEIGH, NC 27609

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