

UNITED REPUBLIC EDUCATION FUND

FINANCIAL STATEMENTS

DECEMBER 31, 2012



UNITED REPUBLIC EDUCATION FUND

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

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CERTIFIED PUBLIC ACCOUNTANTS
AND BUSINESS ADVISORS

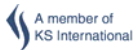
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REPORT OF INDEPENDENT AUDITORS

Board of Directors
United Republic Education Fund

We have audited the accompanying financial statements of United Republic Education Fund (formerly Fund for the Republic), which comprise the statements of financial position as of December 31, 2012 and 2011, and the related statements of activities, functional expenses and cash flows for the year ended December 31, 2012, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of United Republic Education Fund as of December 31, 2012 and 2011, and the changes in its net assets and its cash flows for the year ended December 31, 2012, in accordance with accounting principles generally accepted in the United States of America.

Calibre CPA Group, PLLC

Bethesda, MD
April 18, 2013

UNITED REPUBLIC EDUCATION FUND

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2012 AND 2011

	2012	2011
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 43,600	\$ 330,703
Contributions receivable	9,525	240,375
Prepaid expenses	8,417	4,533
Note receivable from affiliate	31,161	134,909
Total current assets	92,703	710,520
PROPERTY AND EQUIPMENT, NET	59,001	76,012
OTHER ASSETS		
Security deposit	2,400	6,000
Total assets	\$ 154,104	\$ 792,532
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 65,959	\$ 35,278
Grant payable to affiliate	10,831	-
Advances from affiliate for shared expenses	45,947	60,345
Total liabilities	122,737	95,623
NET ASSETS		
Unrestricted	31,367	496,909
Temporarily restricted	-	200,000
Total net assets	31,367	696,909
Total liabilities and net assets	\$ 154,104	\$ 792,532

See accompanying notes to financial statements.

UNITED REPUBLIC EDUCATION FUND

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2012

	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUE			
Grants and contributions	\$ 985,464	\$ 126,411	\$ 1,111,875
Interest income	2,599	-	2,599
Loss on sale of property and equipment	(795)	-	(795)
Other income	801	-	801
Net assets released from restrictions	326,411	(326,411)	-
Total support and revenue	1,314,480	(200,000)	1,114,480
EXPENSES			
Programs	1,211,416	-	1,211,416
Management and general	235,973	-	235,973
Fund raising	332,633	-	332,633
Total expenses	1,780,022	-	1,780,022
CHANGE IN NET ASSETS	(465,542)	(200,000)	(665,542)
NET ASSETS			
Beginning of year	496,909	200,000	696,909
End of year	\$ 31,367	\$ -	\$ 31,367

See accompanying notes to financial statements.

UNITED REPUBLIC EDUCATION FUND

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2012

	Program Services				Management and General	Fund Raising	Common Costs	Total Expenses
	Conference	Grantmaking	Public Education	Total				
Salaries and wages	\$ 8,195	\$ 17,222	\$ 11,183	\$ 36,600	\$ 96,515	\$ 208,759	\$ -	\$ 341,874
Payroll taxes and employee benefits	1,752	2,737	2,198	6,687	18,271	38,102	19,986	83,046
Grants awarded	-	1,004,931	89,500	1,094,431	-	-	-	1,094,431
Promotion and advertising	-	-	-	-	-	2,620	-	2,620
Communications	29	20	31	80	1,005	596	13,173	14,854
Consultants and contractors	625	-	4,125	4,750	32,038	16,371	8,942	62,101
Depreciation and amortization	-	-	-	-	-	-	20,500	20,500
Equipment rental and maintenance	-	-	500	500	-	-	2,109	2,609
Insurance	-	-	-	-	1,816	-	233	2,049
Meetings and travel	61,039	838	589	62,466	3,177	25,186	6,763	97,592
Occupancy	-	-	-	-	(725)	-	72,034	71,309
Office supplies and expenses	204	-	30	234	7,876	1,292	15,757	25,159
Dues and subscriptions	-	-	-	-	-	25	252	277
Professional fees	-	-	-	-	56,202	-	-	56,202
Allocation of common costs	1,558	2,303	1,807	5,668	19,798	39,682	(65,148)	-
Shared common costs allocated to affiliate	-	-	-	-	-	-	(94,601)	(94,601)
	<u>\$ 73,402</u>	<u>\$ 1,028,051</u>	<u>\$ 109,963</u>	<u>\$ 1,211,416</u>	<u>\$ 235,973</u>	<u>\$ 332,633</u>	<u>\$ -</u>	<u>\$ 1,780,022</u>

See accompanying notes to the financial statements.

UNITED REPUBLIC EDUCATION FUND

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2012

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ (665,542)
Adjustments to reconcile change in net assets to net cash used for operating activities	
Depreciation and amortization	20,500
Loss on disposal of property and equipment	795
(Increase) decrease in assets	
Contributions receivable	230,850
Prepaid expenses	(3,884)
Security deposit	3,600
Increase (decrease) in liabilities	
Accounts payable and accrued expenses	30,681
Grant payable to affiliate	10,831
Advances from affiliate for shared expenses	<u>(14,398)</u>
Net cash used for operating activities	<u>(386,567)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Principal repayments of note receivable from affiliate	103,748
Purchases of property and equipment	(7,487)
Proceeds from sale of property and equipment	<u>3,203</u>
Net cash provided by investing activities	<u>99,464</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(287,103)
CASH AND CASH EQUIVALENTS	
Beginning of year	<u>330,703</u>
End of year	<u>\$ 43,600</u>

See accompanying notes to financial statements.

UNITED REPUBLIC EDUCATION FUND

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

NOTE 1. ORGANIZATION AND NATURE OF OPERATIONS

United Republic Education Fund (the Organization or UREF) was incorporated in 2008 as the Change Congress Forum, and subsequently conducted business as the Change V2 Foundation, Democracy Fund, United Republic, and as Fund for the Republic. United Republic Education Fund is a national, non-partisan, not-for-profit organization working to educate the American public about the harms caused by big money special interest lobbyists. Our goal is to create public awareness sufficient to compel policymakers to support a range of public policy reforms in campaign finance and voter enfranchisement. The Organization's principal program service activities during 2012 consisted of the following:

Grantmaking: In 2012 United Republic Education Fund supported several organizations and projects with the goal of educating the general public or sub-groups of the public about the impact of Money in Politics in their daily life and building awareness for the need for reform. Additionally, United Republic Education Fund supports grassroots organizing efforts dedicated to building public support for reform on Money in Politics issues. In 2012, United Republic Education Fund funded five organizations and projects, including United Republic, Americans United to Rebuild Democracy, the Public Accountability's Initiative "LittleSis.org," the video project "S#*t Lobbyists Say," a "money-booth" demonstration piece at GreenFest, and Citizens for Responsibility and Ethics in Washington.

Public Education: UREF ran an online public education program in 2012, posting social media, blogs, and press releases about the undue influence of money US politics. UREF built our base of supporters, and drew attention to the record political spending on the 2012 election.

Conference: United Republic Education Fund began to organize the inaugural *Get Money Out* conference, a biennial gathering to enable policymakers, activists, experts, and scholars to meet in person, build relationships and alliances, gain inspiration, and plug into issues and strategies. Modeled after the successful *National Conference for Media Reform*, the conference would bring together people from the right, left, and center to organize, inspire, and build momentum for reform. After careful consideration, the conference was postponed to a yet-to-be-determined later date. The time was not ripe to convene a conference of this magnitude and the organization is focusing on developing new programmatic areas.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation - Net assets, revenues, 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:

Unrestricted Net Assets - Net assets not subject to donor-imposed stipulations.

Temporarily Restricted Net Assets - Net assets subject to donor-imposed restrictions that will expire based on actions of the Organization or by the passage of time.

Permanently Restricted Net Assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned and capital gains, if any, on related investments for general or specific purposes. The Organization did not have any permanently restricted net assets at December 31, 2012 and 2011.

Revenue Recognition - Unrestricted contributions and all revenues from exchange transactions are reported as increases in unrestricted net assets. Donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities, if any, are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law.

Tax Exempt Status - The Organization is exempt from Federal income taxes as a public charity under Section 501(c)(3) of the Internal Revenue Code, and is similarly exempt from state income taxes. Accordingly, no provision for income taxes has been made in the accompanying financial statements.

The Organization accounts for income taxes in accordance with the Accounting Standards Codification (ASC) Topic *Income Taxes*. These provisions provide consistent guidance for the accounting for uncertainty in income taxes recognized in an entity's financial statements and prescribe a threshold of "more likely than not" for recognition and derecognition of tax positions taken or expected to be taken in a tax return. The Organization performed an evaluation of uncertain tax positions for the year ended December 31, 2012, and determined that there were no matters that would require recognition in the financial statements or that may have an effect on its tax-exempt status. As of December 31, 2012, the statute of limitations for tax years 2009 through 2012 remains open with the U.S. federal and various state jurisdictions. It is the Organization's policy to recognize interest and/or penalties related to uncertain tax positions, if any, in unrelated business income tax expense.

Cash Equivalents - For reporting purposes, the Organization considers all investments with original maturities of three months or less to be cash equivalents.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Promises to Give - Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

Property and Equipment - The Organization capitalizes all expenditures for property and equipment in excess of \$1,000 and having a useful life of greater than one year. Purchased property and equipment are capitalized at cost. Donated property and equipment are capitalized at the estimated fair value at the date of donation. Expenditures for repairs and maintenance are charged to expense as incurred. For assets sold or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is reflected in income.

Donated Securities - From time to time, the Organization receives, as donations, financial securities. Revenue is recognized on such donations based on the market value at the time the donation is received, and is reported as a component of contributions.

Functional Expenses - The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities and of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Use of Estimates - The preparation of financial statements in conformity with generally accepted principles 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 financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent Events - Subsequent events have been evaluated through April 18, 2013, which is the date the financial statements were available to be issued. This review and evaluation revealed no new material event or transaction which would require an additional adjustment to or disclosure in the accompanying financial statements.

NOTE 3. PROMISES TO GIVE

As of December 31, 2012, all of the Organization's contributions receivable are due within one year.

NOTE 4. TRANSACTIONS WITH AFFILIATE

United Republic Education Fund shares resources with United Republic, an independent and autonomous organization with overlapping governing board members. Shared resources include but are not limited to, salaries and benefits, occupancy, and communications. The cost of these shared resources is allocated between the two entities on the basis of time and resource

NOTE 4. TRANSACTIONS WITH AFFILIATE (CONTINUED)

utilization studies. United Republic advanced United Republic Education Fund \$35,546 and \$50,000 as of December 31, 2012 and 2011, respectively, to be held on deposit as an advance against shared costs. Exclusive of this advance, United Republic owed United Republic Education Fund \$-0- and \$3,049 as of December 31, 2012 and 2011, respectively. In addition, United Republic Education Fund owed United Republic \$10,401 and \$13,394 as of December 31, 2012 and 2011, respectively, for contributions received on United Republic's behalf.

During 2011, United Republic acquired certain intangible assets owned by United Republic Education Fund. These intangible assets were acquired in exchange for a promissory note executed between the two organizations in the total amount of \$134,909. The note requires equal monthly payments of principal and interest at 3.25% per annum. The balance of the note as of December 31, 2012 of \$31,161 will be paid in full by June 30, 2013.

NOTE 5. PROPERTY AND EQUIPMENT

Property and equipment consists of the following as of December 31, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
Office furniture and equipment	\$ 48,477	\$ 46,728
Leasehold improvements	<u>38,052</u>	<u>38,052</u>
	86,529	84,780
Less accumulated depreciation and amortization	<u>(27,528)</u>	<u>(8,768)</u>
	<u>\$ 59,001</u>	<u>\$ 76,012</u>

NOTE 6. TEMPORARILY RESTRICTED NET ASSETS

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or other events specified by donors the year ended December 31, 2012 in the amount of \$326,411.

NOTE 7. LEASES

As of December 31, 2012, the Organization conducts its operations from an office located in Florence, Massachusetts, and entered into a sublease agreement for the space effective June 15, 2011, and expiring June 30, 2016. The Organization also maintained an office in Washington, D.C. under an agreement effective December 19, 2011 and expiring December 18, 2012. The gross monthly rent for the office space in Florence, Massachusetts is \$1,995, less \$617 in rent

NOTE 7. LEASES (CONTINUED)

credits, resulting in a net monthly rent of \$1,378. The rent credit, per the lease contract, is a result of leasehold improvements in the amount of \$33,400 paid in advance by the Organization. The gross monthly rent for the office in Washington, D.C. was \$6,000. The net rent expense for 2012 was \$72,034. Future minimum lease payments are due as follows:

2013	\$	16,540
2014		16,540
2015		16,540
2016		8,270

NOTE 8. CONCENTRATIONS

The Organization maintains its cash and cash equivalents with a single financial institution. At December 31, 2012, total noninterest-bearing deposits are entirely insured by the Federal Deposit Insurance Corporation (FDIC) and interest-bearing deposits are insured up to \$250,000 per depositor. Subsequent to December 31, 2012, FDIC insurance drops to a total of \$250,000 per depositor per financial institution. All cash balances on deposit at December 31, 2012 were fully insured by the FDIC. Management regularly monitors the financial institutions, together with its cash balances, to minimize risk associated with cash balances.

Concentrations of credit risk with respect to contributions are generally limited due to the large number of contributors comprising the Organization's contributor base and their dispersion across different industries and geographic areas. However, for the year ended December 31, 2012, the Organization's four largest donors provided approximately 55% of total contribution revenue.

NOTE 9. SUBSEQUENT EVENTS

United Republic Education Fund entered into a contract with a hotel during 2012 to host a large event in 2013. The event was cancelled, and UREF agreed to pay the hotel \$50,000 in settlement of any claims the hotel may have. Payments totaling \$2,000 were made during 2012, leaving a remaining liability of \$48,000 as of December 31, 2012, which is included in accounts payable in the accompanying financial statements. Subsequent to year-end, the hotel demanded payment of full liquidated damages that the hotel determined to be \$112,000. Negotiations are on-going, and the ultimate amount for which UREF will be liable is unknown.