

***United Republic Education Fund, Inc.***  
***Financial Statements***  
***December 31, 2013***

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**December 31, 2013**

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# **NOLAN, CALCASOLA & COMPANY P.C.**

***Certified Public Accountants***

## **Independent Auditor's Report**

***To the Members of the Board of Directors  
United Republic Education Fund, Inc.***

We have audited the accompanying financial statements of United Republic Education Fund, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2013, and the related statements of activities, functional expenses, and cash flows for the year then ended, 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 these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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, Inc. as of December 31, 2013, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

*Nolan, Calcasola & Company P.C.*

April 23, 2014

**United Republic Education Fund**  
**Statement of Financial Position**  
**December 31, 2013**

**Assets**

**Current Assets**

Cash and Cash Equivalents	\$ 380,067
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<b>Total Current Assets</b>	<u>380,067</u>
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<b>Property and Equipment (net of depreciation \$47,513)</b>	<u>41,464</u>
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<b>Total Assets</b>	<u><u>\$ 421,531</u></u>
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**Liabilities and Net Assets**

Grants Payable Affiliate	\$ 70,000
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Advances from Affiliate for Shared Expenses	44,924
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Accounts Payable	9,627
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Due To Affiliate	3,826
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Payroll Tax Liabilities	<u>1,829</u>
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<b>Total Current Liabilities</b>	<u>130,206</u>
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<b>Total Liabilities</b>	<u>130,206</u>
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**Net Assets**

Unrestricted	<u>291,325</u>
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<b>Total Net Assets</b>	<u>291,325</u>
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<b>Total Liabilities and Net Assets</b>	<u><u>\$ 421,531</u></u>
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**United Republic Education Fund**  
**Statement of Activities**  
**Year Ended December 31, 2013**

**Increase in Unrestricted Assets**

**Revenues and Support:**

Contributions	\$ 1,197,040
Membership Fees	19,273
Interest Income	296
Other Income	200
	<u>19,769</u>
<b>Total Revenues and Support</b>	<u>1,216,809</u>

**Decrease in Net Unrestricted Assets**

**Expenses:**

Program Expenses	678,717
Development Expenses	207,696
Management and General	118,438
	<u>1,004,851</u>
<b>Total Expenses</b>	<u>1,004,851</u>

**Change in Net Assets** 211,958

**Net Assets at Beginning of Year** 31,367

**Prior Period Adjustment** 48,000

**Net Assets at End of Year** \$ 291,325

**United Republic Education Fund**  
**Statement of Cash Flows**  
**Year Ended December 31, 2013**

**Increase (Decrease) in Cash and Cash Equivalents**

**Cash Flows from Operating Activities:**

**Change in Net Assets** \$ 211,958

Adjustments to reconcile change in net assets to net cash used by operating activities:

Depreciation	19,985
Net adjustment to Net Assets	48,000
(Increase)decrease in Affiliate Receivable	31,161
(Increase) decrease in Receivables	9,525
(Increase) decrease in Prepaid Expenses	10,817
Increase (decrease) in Current Liabilities	7,470

**Net Cash Provided by Operating Activities** 338,916

**Cash Flows from Investing Activities:**

Purchase of Property and Equipment (2,449)

**Net Cash Provided by Investing Activities** (2,449)

**Net Increase in Cash and Cash Equivalents** 336,467

Cash and Cash Equivalents at Beginning of Year 43,600

**Cash and Cash Equivalents at End of Year** \$ 380,067

**Supplemental Data:**

Interest Paid \$ 419

**United Republic Education Fund**  
**Statement of Functional Expenses**  
**Year Ended December 31, 2013**

	<u>Grantmaking</u>	<u>Public Education</u>	<u>Total Programs</u>	<u>Management and General</u>	<u>Development</u>	<u>Common Costs</u>	<u>Total</u>
Grants	\$ 588,500		588,500				\$ 588,500
Salaries	2,487	\$28,691	31,178	\$ 61,760	\$ 135,186	\$ 68,701	296,825
Consulting		15,001	15,001		6,690	4,130	25,821
Recruitment				2,159			2,159
Employee Benefits	293	3,749	4,042	5,661	10,661	7,737	28,101
Travel and Conferences		780	780	1,098	8,776	1,799	12,453
Payroll Taxes	305	3,185	3,490	5,414	9,692	6,023	24,619
Occupancy				2,106		19,743	21,849
Equipment Maintenance						1,998	1,998
Telephone & Internet	19	116	135	544	348	4,625	5,652
Office Expenses		7	7	(90)	361	7,268	7,546
Payroll & Benefits Administration				1,057			1,057
Branding & Communications		4,826	4,826		1,142	497	6,465
Website and Email Hosting		331	331			10	341
Printing						787	787
Filing Fees				823		319	1,142
Interest						419	419
Insurance				1,880			1,880
Legal				3,000			3,000
Accounting				15,630			15,630
Postage		18	18	30		931	979
Allocation of Common Costs	754	9,670	10,424	17,366	34,840	(124,987)	(62,357)
Depreciation		19,985	19,985				19,985
	<u>\$ 592,358</u>	<u>\$ 86,359</u>	<u>\$ 678,717</u>	<u>\$ 118,438</u>	<u>\$ 207,696</u>	<u>\$ -</u>	<u>\$ 1,004,851</u>

## **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, nonpartisan, nonprofit organization challenging the undue influence of well-financed interests over American Politics through long term structural reforms. UREF supports public education, research, online and traditional organizing to build an unprecedented grassroots movement able to achieve sweeping reform.

The Organization's principal program service activities during 2013 consisted of the following:

### **Public Education:**

United Republic Education Fund developed and delivered a multi-channel public education program in 2013. UREF created well-produced content explaining complex money in politics issues. The centerpiece of the UREF public education platform is the "Daily Corruption" Blog with a strong emphasis on infographics, blog posts, videos and interactive features to engage, educate and enlist support. The 'Daily Corruption' blog saw over 5 million visitors in 2013. In addition to the daily interactive news blog UREF has continued to develop its social media assets, using the platforms to disseminate vital information and elevate the national dialogue around the corrupting influence of big money on democracy. UREF's social media assets have been among the most successful in the money-in-politics field.

### **Grantmaking:**

In 2013 United Republic Education Fund made grants to United Republic to support public education activities and trans-partisan outreach. UREF grants also supported grassroots organizing efforts dedicated to building support for reform on 'Money in Politics' issues; one such program 'Project 435' is a national volunteer program, providing grassroots organizing, education, ladder of engagement leadership training, deployment of staff, volunteers and interns to community events and conferences across the country.

## **2. Summary of Significant Accounting Policies**

The financial statements have been prepared in accordance with the generally accepted accounting principles. The significant accounting policies followed are described below:

### **Basis of Accounting**

The financial statements of United Republic Education Fund, Inc. have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

### **Cash and Cash Equivalents**

For purposes of the Statement of Cash Flows, the Organization considers all unrestricted highly liquid accounts to be cash with an initial maturity of three months or less to be cash equivalents.



## **2. Summary of Significant Accounting Policies (continued)**

### **Net Assets**

Unrestricted net assets represent the portion of the net assets of the Organization that is neither permanently restricted nor temporarily restricted by donor-imposed stipulations.

Temporarily restricted net assets represent those assets that are received with donor stipulations that limit the use or the time of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently restricted net assets consist of endowment funds that have been restricted by donors to be maintained in perpetuity. Income earned on such funds is unrestricted or temporarily restricted based on donor stipulations.

The Organization reports gifts of land, buildings, and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-term assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Currently, the Organization has only unrestricted assets of \$291,325.

### **Contributions**

All contributions are considered available for the Organization's general programs unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor are reported as temporarily or permanently restricted support and increase the respective class of net assets. Contributions received with temporary restrictions that are met in the same reporting period are reported as unrestricted support and increase unrestricted net assets. Investment income that is limited to specific uses by donor restrictions is reported as increases in unrestricted net assets if the restrictions are met in the same reporting period as the income is recognized.

Pledges are recorded as a receivable in the year that they are made. Provisions for uncollectible pledges are based on the Organization's collection policy, the length of time the pledge has been outstanding and other matters.

Securities received as contributions are recorded as revenue at the date the contribution is converted to cash. The Organization's policy is to convert the gift to cash immediately and not to hold on to the security. Therefore, no gain or loss is reported in the statement of activities.

Office furniture and equipment received as contributions are recorded as revenue at the fair market value at the date of contribution.

## **2. Summary of Significant Accounting Policies (continued)**

### **Functional Allocation of Expenses**

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

### **Investments**

The Organization records investments in marketable securities at fair market value and that unrealized gains and losses are included in the change in net assets in the accompanying statement of activities. Net investment income is reflected as increases or decreases in the unrestricted class of net assets unless donors place temporary or permanent restrictions on such income.

### **Property and Equipment**

Property and equipment are valued at cost. Depreciation is computed on the straight-line method over the estimated useful life of the assets. Additions and renewals, unless minor in amount, are capitalized. Expenditures for maintenance, repairs and minor renewals are expensed in the period incurred. When assets are sold or retired, the related cost and accumulated depreciation are removed from the respective accounts and any resulting gain or loss is credited or charged to income.

### **Use of Estimates**

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Accordingly, actual results could differ from those estimates.

### **Communication and Promotion**

The cost of communication and program promotion is expensed as incurred.

### **Concentration of Risk**

#### **Cash and Cash Equivalents**

The Organization maintains cash balances at a local financial institution. At various times during the year cash balances may exceed the insured amount of \$250,000 of the Federal Deposit Insurance Corporation.

#### **Contributions**

The Organization receives substantial amount of their support from various individuals and foundations. If such individuals and foundations decrease their amount of contributions this may impact the operation of the Organization.

### **3. Federal Income Tax Status**

In 2008 the Internal Revenue Service determined that the Organization is exempt from Federal income tax under Section 501(a) of the Internal Revenue Code of 1986, as amended ("Code Section"), as an organization described in Section 501(c)(3) and publicly supported under Code Section 509(a)(1) and 170(b)(1)(A)(vi). However, the Organization is subject to tax on income from any unrelated business income as described in in Code Sections 512 and 513.

The Organization has adopted the recognition requirements for uncertain income tax provisions as required by generally accepted accounting principles, with no cumulative effect adjustment required. The Organization has analyzed tax positions taken for filing with the Internal Revenue Service and all state jurisdictions where it operates. The Organization believes that income tax filing positions will be sustained upon examination and does not anticipate any adjustments that would result in a material adverse effect in financial condition, results of operations or cash flows. Accordingly, the Organization has not recorded any reserves, or related accruals for interest and penalties for uncertain tax positions at December 31, 2013. The Organization is subject to routine audits by taxing jurisdictions; however there are currently no audits for any tax periods in progress. The Organization believes it is no longer subject to income tax examinations for years prior to 2010.

The Organization's policy is to classify income tax related interest and penalties in interest expense and other expenses, respectively.

### **4. Fair Value of Financial Instruments**

#### **Cash and Cash Equivalents**

The carrying amount approximates fair value because of the short maturity of those instruments.

#### **Current Liabilities**

The carrying amount approximates fair value because of the short maturity of those instruments.

### **5. Property and Equipment**

Property and equipment consisted of the following at December 31, 2013:

Furniture & Equipment	\$	48,525
Leasehold Improvements		40,452
Total Property and Equipment		<u>88,977</u>
Less Accumulated Depreciation		47,513
Net Property and Equipment	\$	<u><u>41,464</u></u>

Depreciation charged to expense during the year was \$19,985.

### **6. Compensated Absences**

The Organization's balance for compensated absences consists of unused vacation time which in management's estimation is not material to the financial statements taken as a whole; therefore no provision of accrual has been made.

**7. Prior Period Adjustment**

The Organization had established a liability of \$48,000 in 2012 to a hotel for an event which was canceled. Management has determined that the amount established for the liability will not be paid.

**8. Related Party Transactions**

The United Republic, Inc. (UR) a 501(c)(4) organization is a related organization. Two board members of the Organization are board members of the UR’s board. UR has a total of three board members which are independent of the Organization. The Organization shares resources for operations with UR. The shared resources are charged to each entity on the basis of time and resource utilization studies. As of the balance sheet date the Organization has a balance for advances received from UR for future shared operating costs of \$44,924. During the year the Organization made grants to UR for \$588,500 for programs of which \$70,000 will be paid subsequent to year end. In addition, the Organization collects on behalf of UR membership fees paid via credit cards. The amount of fees the Organization owes UR at December 31, 2013 is \$3,826.

**9. Leases**

The Organization leases its space. The lease is classified as operating lease. The lease commenced June 15, 2011 and expires June 30, 2016. The original monthly lease payment was \$1,995 for the term of lease but the Organization was allocated a monthly rent credit of \$616.67 to be applied against the \$1,995 for leasehold improvements made by the Organization. Therefore the minimum monthly net payment is \$1,378.33. If the lease is terminated by the landlord prior to June 30, 2016 any remaining monthly rent credits shall be paid to the Organization in a lump sum. If the Organization terminates the lease any remaining credits shall be applied to rent another space at the Organization’s current location or if the Organization subleases the space the monthly credits will remain unchanged.

The future minimum lease payments of all leases are as follows:

	2014	\$	16,540
	2015		16,540
	2016		8,270
Future Minimum Lease Payments		<u>\$</u>	<u>41,350</u>

**10. Subsequent Events**

The Organization did not have any recognized or non-recognized subsequent events after December 31, 2013, the date of the statement of financial position. Subsequent events have been evaluated through August 18, 2014 the date the financial statements were issued.