

UNITED FOR A FAIR ECONOMY, INC.

FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

UNITED FOR A FAIR ECONOMY, INC.

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**Business Advisors
Certified Public Accountants**

To the Board of Directors of
United for a Fair Economy, Inc.
Boston, Massachusetts

Independent Auditors' Report

We have audited the accompanying statement of financial position of United for a Fair Economy, Inc. (a non-profit organization) as of June 30, 2012, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Organization's June 30, 2011 financial statements and, in our report dated September 30, 2011 we expressed an unqualified opinion on those financial statements.

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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of United for a Fair Economy, Inc. as of June 30, 2012 and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

PAVENTO, RATCLIFFE, RENZI & CO., LLC

December 18, 2012

UNITED FOR A FAIR ECONOMY, INC.

STATEMENT OF FINANCIAL POSITION JUNE 30, 2012 AND 2011

| ASSETS | 2012 | 2011 |
|---|-------------------|-------------------|
| CURRENT ASSETS: | | |
| Cash and cash equivalents | \$ 245,997 | \$ 258,800 |
| Investments | 3,183 | 7,376 |
| Pledges & grants receivable | 120,320 | 72,000 |
| Accounts receivable | 13,152 | 9,591 |
| Other receivable | 50,000 | - |
| Publication inventory | <u>5,302</u> | <u>6,357</u> |
| Total current assets | 437,954 | 354,124 |
| FIXED ASSETS: | | |
| Equipment | 98,069 | 98,069 |
| Leasehold Improvements | <u>14,228</u> | <u>-</u> |
| | 112,297 | 98,069 |
| Less - Accumulated depreciation | <u>90,214</u> | <u>85,554</u> |
| Total fixed assets | 22,083 | 12,515 |
| OTHER ASSETS: | | |
| Deposits | 32,485 | 7,997 |
| Long-term pledges receivable (net of required present-value discount) | <u>17,140</u> | <u>36,270</u> |
| Total other assets | <u>49,625</u> | <u>44,267</u> |
| Total assets | <u>\$ 509,662</u> | <u>\$ 410,906</u> |
| LIABILITIES AND NET ASSETS | | |
| CURRENT LIABILITIES: | | |
| Accrued expenses | \$ 133,767 | \$ 30,504 |
| Accrued salary and vacation compensation | 104,674 | 89,337 |
| Funds held as fiscal agent | 9,746 | - |
| Rent deposit | <u>1,100</u> | <u>1,100</u> |
| Total current liabilities | 249,287 | 120,941 |
| NET ASSETS: | | |
| Unrestricted | 26,915 | 104,612 |
| Temporarily restricted | <u>233,460</u> | <u>185,353</u> |
| Total net assets | <u>260,375</u> | <u>289,965</u> |
| TOTAL LIABILITIES AND NET ASSETS | <u>\$ 509,662</u> | <u>\$ 410,906</u> |

The accompanying notes are an integral part of these financial statements.

UNITED FOR A FAIR ECONOMY, INC.

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2012 WITH COMPARATIVE TOTALS FOR 2011

| | 2012 | | | 2011 |
|---|------------------|---------------------------|-------------------|-------------------|
| | Unrestricted | Temporarily Restricted | Total | Total |
| Public Support and Revenue: | | | | |
| Contributions | \$ 875,456 | \$ 25,000 | \$ 900,456 | \$ 832,711 |
| Grants | 188,000 | 171,000 | 359,000 | 294,825 |
| Released from restriction | 147,893 | (147,893) | - | - |
| Program and conference fees | 14,030 | - | 14,030 | 34,812 |
| Educational materials sales | 7,694 | - | 7,694 | 13,063 |
| In-kind contributions | - | - | - | 10,587 |
| Interest and dividends | 302 | - | 302 | 491 |
| Gains (losses) on investments | (402) | - | (402) | 640 |
| Total public support and other revenue | 1,232,973 | 48,107 | 1,281,080 | 1,187,129 |
| Expenses: | | | | |
| Program | 987,413 | - | 987,413 | 962,720 |
| General and administrative | 129,382 | - | 129,382 | 136,980 |
| Fundraising | 193,875 | - | 193,875 | 196,757 |
| Total expenses | 1,310,670 | - | 1,310,670 | 1,296,457 |
| Change in net assets | (77,697) | 48,107 | (29,590) | (109,328) |
| NET ASSETS, beginning of year | 104,612 | 185,353 | 289,965 | 399,293 |
| NET ASSETS, end of Year | <u>\$ 26,915</u> | <u>\$ 233,460</u> | <u>\$ 260,375</u> | <u>\$ 289,965</u> |

The accompanying notes are an integral part of these financial statements.

UNITED FOR A FAIR ECONOMY, INC.

STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED JUNE 30, 2012 WITH COMPARATIVE TOTALS FOR 2011

| | 2012 | | | 2011 | |
|----------------------------------|-------------------|-----------------------------|-------------------|---------------------|---------------------|
| | Program | General & Administrative | Fundraising | Total | Total |
| Salary | \$ 530,187 | \$ 71,357 | \$ 86,666 | \$ 688,210 | \$ 624,038 |
| Payroll taxes | 50,546 | 6,118 | 10,176 | 66,840 | 68,179 |
| Benefits | 128,762 | 16,980 | 20,718 | 166,460 | 142,564 |
| Subtotal | 709,495 | 94,455 | 117,560 | 921,510 | 834,781 |
| Advertising | 5,401 | - | 300 | 5,701 | 12,722 |
| Conference and training fees | 7,378 | 446 | 325 | 8,149 | 7,995 |
| Depreciation | 3,590 | 483 | 587 | 4,660 | 7,961 |
| Equipment rental and maintenance | 8,400 | 589 | 715 | 9,704 | 7,892 |
| Fees | 3,685 | 1,243 | 4,317 | 9,245 | 6,503 |
| Grants to others | - | - | - | - | 10,375 |
| Insurance | 2,573 | 32 | 39 | 2,644 | 4,360 |
| Meetings and events | 23,354 | 358 | 1,714 | 25,426 | 21,361 |
| Miscellaneous | 142 | 7 | 9 | 158 | - |
| Occupancy | 79,956 | 10,761 | 13,070 | 103,787 | 100,365 |
| Postage and delivery | 8,625 | 753 | 22,550 | 31,928 | 21,664 |
| Printing and reproduction | 36,973 | 3,034 | 11,903 | 51,910 | 37,058 |
| Professional fees | 31,511 | 12,724 | 11,494 | 55,729 | 149,789 |
| Publications | 7,051 | 728 | 1,474 | 9,253 | 11,222 |
| Supplies | 3,913 | 543 | 3,315 | 7,771 | 9,839 |
| Telephone and internet | 14,235 | 1,774 | 2,169 | 18,178 | 18,263 |
| Travel | 41,131 | 1,452 | 2,334 | 44,917 | 34,307 |
| Total expenses | \$ 987,413 | \$ 129,382 | \$ 193,875 | \$ 1,310,670 | \$ 1,296,457 |

The accompanying notes are an integral part of these financial statements.

UNITED FOR A FAIR ECONOMY, INC.

STATEMENT OF CASH FLOWS FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

| | 2012 | 2011 |
|--|-------------------|-------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Increase (decrease) in net assets | \$ (29,590) | \$ (109,328) |
| Adjustment to reconcile change in net assets to cash provided by operating activities: | | |
| Depreciation | 4,660 | 7,961 |
| (Gains) losses on investments | 402 | (312) |
| Donated investments | (82,274) | (95,674) |
| Pledge payment satisfied by stock donation | (9,680) | - |
| (Increase) decrease in operating assets: | | |
| Prepaid expenses | - | 9,077 |
| Pledges and grants receivable, current | (48,320) | 52,997 |
| Pledges and grants receivable, long-term | 19,130 | (36,267) |
| Accounts receivable | (3,561) | 1,060 |
| Other receivable | (50,000) | - |
| Publication inventory | 1,055 | 3,566 |
| Deposits | (24,488) | 1,000 |
| Increase (decrease) in operating liabilities- | | |
| Accrued expenses | 103,263 | (628) |
| Accrued salary and vacation compensation | 15,337 | 8,759 |
| Funds held as fiscal agent | 9,746 | - |
| Net cash provided (used) by operating activities | <u>(94,320)</u> | <u>(157,789)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Investment in real property improvements | (14,228) | - |
| Proceeds from sale of equipment | - | - |
| Proceeds from sale of investments | 95,745 | 90,591 |
| Net cash provided by investing activities | <u>81,517</u> | <u>90,591</u> |
| Net cash provided by financing activities | <u>-</u> | <u>-</u> |
| Increase (decrease) in cash and cash equivalents | (12,803) | (67,198) |
| CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR | <u>258,800</u> | <u>325,998</u> |
| CASH AND CASH EQUIVALENTS, END OF YEAR | <u>\$ 245,997</u> | <u>\$ 258,800</u> |
| SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION: | | |
| Noncash transactions- | | |
| Unrealized gain (loss) on investments | \$ - | \$ - |

The accompanying notes are an integral part of these financial statements.

UNITED FOR A FAIR ECONOMY, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

(1) ORGANIZATION

United for a Fair Economy, Inc. (UFE) was organized in the Commonwealth of Massachusetts as a not-for-profit corporation on November 30, 1994. The Organization raises awareness that concentrated wealth and power undermine the economy, corrupt democracy, deepen the racial divide, and tear communities apart. The organization supports and helps build social movements for greater equality. Resources for the Organization's activities are primarily provided by public contributions.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Accounting & Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting.

The Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

Under these provisions, net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein may be classified and reported as follows:

Unrestricted - Net assets that are not subject to donor-imposed restrictions. Unrestricted net assets may be designated for specific purposes by action of the Board of Directors.

Temporarily Restricted - Net assets whose use by the Organization is subject to donor-imposed restrictions that can be fulfilled by actions of the Organization pursuant to those restrictions or that expire by the passage of time.

Permanently Restricted - Net assets subject to donor-imposed restrictions that they be maintained permanently by the Organization.

(b) Comparative Financial Information

The 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 generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2011, from which the summarized information was derived.

UNITED FOR A FAIR ECONOMY, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) *Allocation of Expenses*

Expenses are allocated among program and supporting services directly or on the basis of time records and utilization estimates made by the Organization's management. General and administrative expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

(d) *Cash and Cash Equivalents*

For the purposes of the statement of cash flows, the Organization considers all highly liquid debt and equity instruments with a maturity of three months or less to be cash equivalents.

(e) *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 when the conditions on which they depend are substantially met.

(f) *Restricted and Unrestricted Net Assets*

Contributions received are recorded as increases in unrestricted, temporarily restricted or permanently restricted net assets, depending on the existence and/or nature of any donor restrictions. Contributions that are restricted by donors are reported as increases in unrestricted net assets if the restrictions expire in the reporting period in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When restrictions expire, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

(g) *Use of Estimates*

The presentation of financial statements, in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures 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.

UNITED FOR A FAIR ECONOMY, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) *Property and Equipment*

Property and equipment are recorded at cost, when purchased, or if donated, at their estimated fair market value at date of donation. All acquisitions of property and equipment and all expenditures for repairs, maintenance, and betterments that materially prolong the useful lives of assets and have costs in excess of \$10,000 are capitalized.

Depreciation of property and equipment is provided over the estimated useful lives of the respective assets, using the straight-line method.

(i) *Inventory*

Inventory consists of publications on hand for sale and distribution and is valued at the lower of cost or fair market value.

(j) *Donated Goods and Services*

Donated goods and services represent the estimated fair market value of materials and services provided. Donated services are recognized as contributions, in accordance with Generally Accepted Accounting Standards, if the services (a) create or enhance non-financial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization.

At June 30, 2012 and 2011, in-kind contributions were recorded for program-related consulting services received at a fair market value of \$-0- and \$10,587, respectively.

(k) *Advertising Costs*

Advertising costs are expensed the first time the advertising takes place.

(3) TAX STATUS

United for a Fair Economy, Inc. is exempt from federal and state income tax under Section 501(c)(3) of the Internal Revenue Code and, accordingly, no provision for income taxes is included in the financial statements. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(a) and has been classified as an organization that is not a private foundation under Section 509(a)(1).

UFE has identified its tax status as a tax exempt entity as a tax position; however, UFE has determined that such tax position does not result in an uncertainty requiring recognition. The Organization is not currently under examination by any taxing jurisdiction. Its Federal and state income tax returns are generally open for examination for the past three years.

UNITED FOR A FAIR ECONOMY, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

(4) OPERATING LEASES

Office space:

The Organization leased office space in Boston, Massachusetts, under an 87-month lease which expired June 1, 2012. The Organization entered into a lease agreement for new office space (also in Boston) in May of 2012. Lease payments are scheduled to begin in December of 2012. The lease has an initial term of 60 months beginning December 1, 2012 and provides a renewal option for an additional 5 years until November 30, 2022. Minimum monthly payments on the lease are \$7,496 for the first year with annual increases of \$1 per square foot thereafter (\$384 per month).

In accordance with generally accepted accounting principles, rent expense is recognized on a straight-line basis over the anticipated lease term. Rent expense for office space for the years ended June 30, 2012 and 2011, totaled \$103,610 and \$101,147, respectively.

Future minimum lease payments are as follows:

| | |
|-------|-----------|
| FY 13 | \$ 52,473 |
| FY 14 | \$ 92,644 |
| FY 15 | \$ 97,257 |
| FY 16 | \$101,870 |
| FY 17 | \$106,483 |

Equipment:

The Organization's equipment leases are as follows:

A copy machine, with an initial 60-month lease term beginning January, 2007. Minimum monthly base payments on the lease are \$1,317.

A postage meter, with an initial 60-month lease term beginning April, 2007. Monthly payments on the lease are \$124.

Phone equipment, with an initial 60-month lease term beginning June, 2012. Minimum monthly payments on the lease are \$527.

Rent expense for equipment for the years ended June 30, 2012 and 2011 totaled \$23,046 and \$21,414, respectively.

Future minimum rent payments are as follows:

| | |
|-------|----------|
| FY 13 | \$ 6,319 |
| FY 14 | \$ 6,319 |
| FY 15 | \$ 6,319 |
| FY 16 | \$ 6,319 |
| FY 17 | \$ 5,792 |

UNITED FOR A FAIR ECONOMY, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

(5) SUBLEASE

The Organization subleased office space to another organization under a tenant-at-will arrangement through June 30, 2012. Payments charged under this agreement (and netted against rent expense) totaled \$13,200 for each of the years ended June 30, 2012 and 2011.

In June, 2012, UFE entered into a five-year sublease agreement with another Organization to sublease office space at its new location. The first two years of the sublease are non-cancelable and thereafter, the lease can be terminated by either party with proper notice in accordance with lease terms. The sublease provides for monthly payments of \$1,009 for the first year of the lease and increases of \$52 per month for each subsequent year of the lease.

(6) CONCENTRATIONS

Cash:

The Organization maintains cash balances at several highly rated financial institutions. Balances in these accounts may, at times, exceed federally insured limits. The Organization has not experienced any losses in such accounts. Management believes there is no significant risk with respect to these accounts.

Grants Receivable and Revenue:

Two donors comprised 71% of the balance in pledges & grants receivable as of June 30, 2012. One donor comprised 48% of the balance in pledges & grants receivable as of June 30, 2011.

Eight donors were responsible for 41% of total Contribution and Grant Revenue for fiscal year ending June 30, 2012. Seven donors were responsible for 40% of total Contribution and Grant Revenue for fiscal year ending June 30, 2011.

(7) PLEDGES & GRANTS RECEIVABLE

Pledges and grants receivable at June 30, 2012 and 2011 consist of unconditional promises to give expected to be collected within three years as follows:

| | 2012 | 2011 |
|--|------------------|------------------|
| Receivable in less than one year | \$ 120,320 | \$ 72,000 |
| Receivable in fiscal years 2014 and 2013 respectively | 20,000 | 20,000 |
| Receivable in fiscal years 2015 and 2014, respectively | - | 20,000 |
| Total unconditional promises to give | 140,320 | 112,000 |
| Less discounts to net present value (at 5.5%) | (2,860) | (3,730) |
| Net unconditional promises to give at fiscal year-end | <u>\$137,460</u> | <u>\$108,270</u> |

Pledges and grants receivable are considered low risk because a significant portion represents commitments from either large, well-established foundations or individual donors with a long-term relationship with the Organization.

UNITED FOR A FAIR ECONOMY, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

(8) INVESTMENTS

The Organization maintains investment accounts at financial institutions. The market value of the investments is subject to market risk. Investments at June 30 are carried at quoted market values summarized as follows:

| | 2012 | | 2011 | |
|-----------------------|----------------|----------------|----------------|----------------|
| | Cost | FMV | Cost | FMV |
| Mutual Funds | \$4,005 | \$2,092 | \$3,846 | \$2,367 |
| Publicly Traded Stock | <u>1,091</u> | <u>1,091</u> | <u>5,009</u> | <u>5,009</u> |
| | <u>\$5,096</u> | <u>\$3,183</u> | <u>\$8,855</u> | <u>\$7,376</u> |

Investment return consists of the following: (Gains and losses include amounts recognized on stock donations, which are converted to cash as soon as feasible after the transfer date.)

| | 2012 | 2011 |
|---------------------------------------|-----------------|---------------|
| Interest and dividends on investments | \$ 302 | \$ 64 |
| Net realized/unrealized gain (loss) | <u>(402)</u> | <u>576</u> |
| Total investment return | <u>\$ (100)</u> | <u>\$ 640</u> |

(9) TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted assets consist of the following:

| | 2012 | 2011 |
|--|------------------|------------------|
| Pledges received from individuals for use in subsequent fiscal years | \$ 65,320 | \$ 84,000 |
| Less discount to present value | <u>(2,860)</u> | <u>(3,730)</u> |
| Net pledges | 62,460 | 80,270 |
| Foundation grants for use in the subsequent fiscal year | <u>171,000</u> | <u>105,083</u> |
| Total | <u>\$233,460</u> | <u>\$185,353</u> |

(10) SUBSEQUENT EVENTS

The Organization evaluated subsequent events through December 18, 2012, which is the date the financial statements were available to be issued.

UNITED FOR A FAIR ECONOMY, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

(11) FISCAL AGENT

During fiscal year 2012, UFE served as fiscal agent for a small, local nonprofit association. Funds held by UFE for the benefit of the nonprofit association are included on the statement of financial position as *Funds held as fiscal agent* and totaled \$9,746 as of June 30, 2012.