

UNITED FOR A FAIR ECONOMY, INC.

FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

UNITED FOR A FAIR ECONOMY, INC.

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PAVENTO, RATCLIFFE,
RENZI & CO., LLC

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 financial statements of United for a Fair Economy, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2013, and the related statements of activities 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 for a Fair Economy, Inc. as of June 30, 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.

Report on Summarized Comparative Information

We have previously audited the United for a Fair Economy, Inc.'s 2012 financial statements, and our report dated December 18, 2012, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2012, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Pavento, Ratcliffe, Renzi & Co. LLC

Franklin, Massachusetts
November 7, 2013

UNITED FOR A FAIR ECONOMY, INC.

STATEMENT OF FINANCIAL POSITION JUNE 30, 2013 AND 2012

ASSETS

	2013	2012
CURRENT ASSETS:		
Cash and cash equivalents	\$ 126,971	\$ 245,997
Investments	-	3,183
Pledges & grants receivable	395,693	120,320
Accounts receivable	7,455	13,152
Other receivable	-	50,000
Publication inventory	4,452	5,302
Total current assets	534,571	437,954
FIXED ASSETS:		
Equipment	98,069	98,069
Leasehold Improvements	15,883	14,228
	113,952	112,297
Less - Accumulated depreciation	96,891	90,214
Total fixed assets	17,061	22,083
OTHER ASSETS:		
Deposits	27,485	32,485
Long-term pledges receivable (net of required present-value discount)	-	17,140
Total other assets	27,485	49,625
Total assets	\$ 579,117	\$ 509,662

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:		
Accrued expenses	\$ 64,229	\$ 125,090
Accrued salary and vacation compensation	89,545	104,674
Funds held as fiscal agent	-	9,746
Rent deposit	1,100	1,100
Total current liabilities	154,874	240,610
DEFERRED RENT	60,326	8,677
NET ASSETS:		
Unrestricted	(51,775)	26,915
Temporarily restricted	415,692	233,460
Total net assets	363,917	260,375
TOTAL LIABILITIES AND NET ASSETS	\$ 579,117	\$ 509,662

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, 2013 WITH COMPARATIVE TOTALS FOR 2012

	<u>2013</u>			<u>2012</u>
	Unrestricted	Temporarily Restricted	Total	Total
Public Support and Revenue:				
Contributions	\$ 818,635	\$ 100,000	\$ 918,635	\$ 900,456
Grants	290,272	201,000	491,272	359,000
Released from restriction	118,768	(118,768)	-	-
Program and conference fees	30,712	-	30,712	14,030
Educational materials sales	5,253	-	5,253	7,694
In-kind contributions	5,261	-	5,261	-
Interest and dividends	51	-	51	302
Gains (losses) on investments	1,108	-	1,108	(402)
Total public support and other revenue	1,270,060	182,232	1,452,292	1,281,080
Expenses:				
Program	1,019,599	-	1,019,599	987,413
General and administrative	125,525	-	125,525	129,382
Fundraising	203,626	-	203,626	193,875
Total expenses	1,348,750	-	1,348,750	1,310,670
Change in net assets	(78,690)	182,232	103,542	(29,590)
NET ASSETS, beginning of year	26,915	233,460	260,375	289,965
NET ASSETS, end of Year	\$ (51,775)	\$ 415,692	\$ 363,917	\$ 260,375

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, 2013 WITH COMPARATIVE TOTALS FOR 2012

	2013			2012	
	Program	General & Administrative	Fundraising	Total	Total
Salary	\$ 533,782	\$ 63,946	\$ 91,805	\$ 689,533	\$ 688,210
Payroll taxes	53,411	6,115	9,479	69,005	66,840
Benefits	140,950	20,514	29,454	190,918	166,460
Subtotal	728,143	90,575	130,738	949,456	921,510
Advertising	12,121	-	695	12,816	5,701
Conference and training fees	8,659	494	503	9,656	8,149
Depreciation	5,169	619	889	6,677	4,660
Equipment rental and maintenance	4,964	647	570	6,181	9,704
Fees	6,370	1,454	5,586	13,410	9,245
Grants to others	-	-	-	-	-
Insurance	4,947	593	851	6,391	2,644
Meetings and events	26,829	116	1,177	28,122	25,426
Miscellaneous	188	10	14	212	158
Occupancy	76,845	9,205	13,217	99,267	103,787
Postage and delivery	4,553	1,103	20,419	26,075	31,928
Printing and reproduction	18,316	997	13,414	32,727	51,910
Professional fees	54,068	16,157	6,587	76,812	55,729
Publications	10,891	296	1,282	12,469	9,253
Supplies	4,745	378	888	6,011	7,771
Telephone and internet	12,984	1,541	2,212	16,737	18,178
Travel	39,807	1,340	4,584	45,731	44,917
Total expenses	<u>\$ 1,019,599</u>	<u>\$ 125,525</u>	<u>\$ 203,626</u>	<u>\$ 1,348,750</u>	<u>\$ 1,310,670</u>

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, 2013 AND 2012

CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase (decrease) in net assets	\$ 103,542	\$ (29,590)
Adjustment to reconcile change in net assets to cash provided by operating activities:		
Depreciation	6,677	4,660
(Gains) losses on investments	(1,108)	402
Donated investments	(102,062)	(82,274)
Pledge payment satisfied by stock donation	-	(9,680)
In-kind contributions	5,261	-
(Increase) decrease in operating assets:		
Pledges and grants receivable, current	(275,373)	(48,320)
Pledges and grants receivable, long-term	17,140	19,130
Accounts receivable	5,696	(3,561)
Other receivable	50,000	(50,000)
Publication inventory	850	1,055
Deposits	5,000	(24,488)
Increase (decrease) in operating liabilities-		
Accrued expenses	(60,861)	94,586
Accrued salary and vacation compensation	(15,129)	15,337
Funds held as fiscal agent	(9,746)	9,746
Deferred rent	51,649	8,677
Net cash provided (used) by operating activities	<u>(218,464)</u>	<u>(94,320)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investment in real property improvements	(1,655)	(14,228)
Proceeds from sale of investments	<u>101,093</u>	<u>95,745</u>
Net cash provided by investing activities	99,438	81,517
Net cash provided by financing activities	<u>-</u>	<u>-</u>
Increase (decrease) in cash and cash equivalents	(119,026)	(12,803)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>245,997</u>	<u>258,800</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 126,971</u>	<u>\$ 245,997</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, 2013

(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 provided primarily 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, 2012, from which the summarized information was derived.

UNITED FOR A FAIR ECONOMY, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

(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, 2013

(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, 2013 and 2012, in-kind contributions were recorded for program-related consulting services received at a fair market value of \$5,261 and \$-0-, 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, 2013

(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. The occupancy date was June 1, 2012 and the lessor allowed the lessee to forego lease payments for the first six months of occupancy, resulting in a variance between payment dates and occupancy dates. As a result, lease payments began in December of 2012. The lease has an initial stated term of 60 months beginning December 1, 2012 and provides a renewal option for an additional 5 years until November 30, 2022 (total of 120 months in addition to the 6-month "rent-free" period). 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, which includes the "rent-free" period, resulting in an adjustment to rent expense to equate the payment period of December 1, 2012 through November 30, 2022 to the occupancy period of June 1, 2012 through November 30, 2022. Rent expense for office space for the years ended June 30, 2013 and 2012, totaled \$104,122 and \$103,610, respectively. Future year straight-line accrual lease payments will be \$104,122 annually with the difference between accrual and cash held as a deferred rent liability on the balance sheet.

Future payments and related rent expense are as follows:

	Cash- Basis Payments	Straight-Line Expense to be Recognized	Difference to Deferred Rent Liability
Balance in deferred rent liability as of 6/30/13			\$ (60,326)
Fiscal Year 2014	\$ 92,644	\$104,122	\$ (11,478)
Fiscal Year 2015	\$ 97,257	\$104,122	\$ (6,865)
Fiscal Year 2016	\$101,870	\$104,122	\$ (2,252)
Fiscal Year 2017	\$106,483	\$104,122	\$ 2,361
Fiscal Year 2018	\$111,096	\$104,122	\$ 6,975
Fiscal years 2019 – 2023 (option period ending 11/1/22)	\$531,456	\$459,872	<u>\$ 71,585</u>
Balance in deferred rent liability as of 11/1/22			<u>\$ 0</u>

Equipment:

The Organization's equipment leases are as follows:

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, 2013 and 2012 totaled \$7,998 and \$23,046, respectively.

Future minimum rent payments for equipment leases are as follows:

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, 2013

(5) SUBLEASE

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.

In July 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 \$475 for the life of the sublease.

Payments charged under these agreements (and netted against rent expense) totaled \$13,392 and \$13,200 for the years ended June 30, 2013 and 2012, respectively

(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:

Three donors comprised 88% of the balance in pledges & grants receivable as of June 30, 2013. Two donors comprised 71% of the balance in pledges & grants receivable as of June 30, 2012.

Five donors were responsible for 39% of total Contribution and Grant Revenue for fiscal year ending June 30, 2013. Eight donors were responsible for 41% of total Contribution and Grant Revenue for fiscal year ending June 30, 2012.

UNITED FOR A FAIR ECONOMY, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

(7) PLEDGES & GRANTS RECEIVABLE

Pledges and grants receivable at June 30, 2013 and 2012 consist of unconditional promises to give expected to be collected within three years as follows:

	2013	2012
Receivable in less than one year	\$395,693	\$120,320
Receivable in fiscal years 2015 and 2014 respectively	-	20,000
Receivable in fiscal years 2016 and 2015, respectively	-	-
Total unconditional promises to give	395,693	140,320
Less discounts to net present value (at 5.5%)	-	(2,860)
Net unconditional promises to give at fiscal year-end	<u>\$395,693</u>	<u>\$137,460</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. Therefore, no allowance for uncollectible amounts is deemed necessary.

(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:

	2013		2012	
	Cost	FMV	Cost	FMV
Mutual Funds	\$ -	\$ -	\$4,005	\$2,092
Publicly Traded Stock	-	-	1,091	1,091
	<u>\$ -</u>	<u>\$ -</u>	<u>\$5,096</u>	<u>\$3,183</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.)

	2013	2012
Interest and dividends on investments	\$ 51	\$ 302
Net realized/unrealized gain (loss)	1,108	(402)
Total investment return	<u>\$1,159</u>	<u>\$ (100)</u>

UNITED FOR A FAIR ECONOMY, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

(9) TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted assets consist of the following:

	2013	2012
Pledges received from individuals for use in subsequent fiscal years	\$119,692	\$ 65,320
Less discount to present value	<u>-</u>	<u>(2,860)</u>
Net pledges	119,692	62,460
Foundation grants for use in the subsequent fiscal year	<u>296,000</u>	<u>171,000</u>
Total	<u>\$415,692</u>	<u>\$233,460</u>

(10) EMPLOYEE BENEFIT PLAN

The Organization established a qualified 401(k) plan during fiscal year 2013. All employees are eligible to contribute a portion of their eligible compensation to the plan in accordance with plan provisions. For employees meeting certain eligibility requirements, the Organization has a safe harbor contribution requirement of 3% of the employee's wages.

United for a Fair Economy, Inc.'s safe harbor contributions to the plan were \$21,560 and \$-0- for the fiscal years ended June 30, 2013 and 2012, respectively.

(11) SUBSEQUENT EVENTS

The Organization evaluated subsequent events through November 7, 2013, which is the date the financial statements were available to be issued.

(12) 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. The funds were paid out during fiscal year 2013.

(13) RECLASSIFICATIONS

The presentation of certain prior year balances has been reclassified to conform to the current year presentation.