

THE CENTER FOR COMPETITIVE POLITICS
(a not-for-profit organization)

REPORT ON AUDIT OF FINANCIAL STATEMENTS

for the year ended December 31, 2012

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
The Center for Competitive Politics
Alexandria, VA

We have audited the accompanying financial statements of The Center for Competitive Politics (a nonprofit organization), which comprise the statement of financial position as of December 31, 2012, 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 error or fraud.

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 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 The Center for Competitive Politics as of December 31, 2012, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Renner and Company, CPA, P.C.

August 20, 2013

THE CENTER FOR COMPETITIVE POLITICS

STATEMENT OF FINANCIAL POSITION

December 31, 2012

ASSETS

CURRENT ASSETS

Cash	\$ 1,396,873
Accounts receivable	16,296
Prepaid expenses	19,511
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TOTAL CURRENT ASSETS \$ 1,432,680

PROPERTY, at cost

Furniture, fixtures, and equipment	\$ 126,357
Leasehold improvements	80,709
Software	16,031
Website development	29,200
	<hr/>
	\$ 252,297
Accumulated depreciation and amortization	<hr/> (212,008)

TOTAL PROPERTY, net \$ 40,289

OTHER ASSETS

Security deposit	\$ 200
Escrow	(198)
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TOTAL OTHER ASSETS \$ 2

TOTAL ASSETS \$ 1,472,971

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	\$ 45,892
Accrued expenses	31,854
Deferred rent	5,466
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TOTAL CURRENT LIABILITIES \$ 83,212

LONG-TERM LIABILITIES

Deferred rent, net of current portion	<u>\$ 9,266</u>
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TOTAL LIABILITIES \$ 92,478

NET ASSETS

Unrestricted	\$ 1,370,493
Temporarily restricted	10,000
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TOTAL NET ASSETS \$ 1,380,493

TOTAL LIABILITIES AND NET ASSETS \$ 1,472,971

The accompanying Independent Auditors' Report and Notes are an integral part of the financial statements.

THE CENTER FOR COMPETITIVE POLITICS

STATEMENT OF ACTIVITIES
for the year ended December 31, 2012

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<u>SUPPORT AND REVENUE</u>			
Contributions	\$ 711,063	\$ 500,000	\$ 1,211,063
Awards and grants	84,360	-	84,360
Corporate support and sponsorship	115,500	-	115,500
Miscellaneous	8,800	-	8,800
Interest income	553	-	553
Net assets released from restrictions	503,500	(503,500)	-
	<u>\$ 1,423,776</u>	<u>\$ (3,500)</u>	<u>\$ 1,420,276</u>
<u>EXPENSES</u>			
Program	\$ 1,052,159	\$ -	\$ 1,052,159
General and administrative	38,614	-	38,614
Development	161,866	-	161,866
	<u>\$ 1,252,639</u>	<u>\$ -</u>	<u>\$ 1,252,639</u>
<u>CHANGE IN NET ASSETS</u>	<u>\$ 171,137</u>	<u>\$ (3,500)</u>	<u>\$ 167,637</u>
<u>NET ASSETS</u> , beginning of year	<u>1,199,356</u>	<u>13,500</u>	<u>1,212,856</u>
<u>NET ASSETS</u> , end of year	<u>\$ 1,370,493</u>	<u>\$ 10,000</u>	<u>\$ 1,380,493</u>

The accompanying Independent Auditors' Report and Notes are an integral part of the financial statements.

THE CENTER FOR COMPETITIVE POLITICS

STATEMENT OF CASH FLOWS
for the year ended December 31, 2012

CASH FLOWS FROM OPERATING ACTIVITIES

Cash received from operations	
Contributions	\$ 1,639,965
Interest income	553
Total cash received from operations	<u>\$ 1,640,518</u>
Cash disbursed by operations	
Payment to suppliers and employees	\$ 1,278,891
Interest paid	60
Total cash disbursed by operations	<u>\$ 1,278,951</u>

NET CASH PROVIDED BY OPERATING ACTIVITIES \$ 361,567

CASH FLOWS USED BY INVESTING ACTIVITIES

Purchase of equipment and other property \$ (840)

CASH FLOWS USED BY FINANCING ACTIVITIES

Payments on obligations under capital lease \$ (10,366)

NET INCREASE IN CASH \$ 350,361

CASH, beginning of year 1,046,512

CASH, end of year \$ 1,396,873

The accompanying Independent Auditors' Report and Notes are an integral part of the financial statements.

THE CENTER FOR COMPETITIVE POLITICS

STATEMENT OF CASH FLOWS
for the year ended December 31, 2012

RECONCILIATION OF CHANGE IN NET ASSETS TO NET
CASH PROVIDED BY OPERATING ACTIVITIES

CHANGE IN NET ASSETS \$ 167,637

ADJUSTMENTS TO RECONCILE CHANGE IN NET ASSETS
TO NET CASH PROVIDED BY OPERATING ACTIVITIES

Depreciation expense	\$ 23,407
Amortization expense	8,892
Noncash occupancy costs	<u>(2,488)</u>
Net	<u>\$ 29,811</u>

CHANGES IN ASSETS AND LIABILITIES AFFECTING
OPERATIONS PROVIDING (USING) CASH

ASSETS

Accounts receivable	\$ 220,242
Prepaid expenses	(5,165)
Escrow	538
	<u>\$ 215,615</u>

LIABILITIES

Accounts payable	\$ (35,209)
Accrued expenses	<u>(16,287)</u>
	<u>\$ (51,496)</u>

NET CHANGES IN ASSETS AND LIABILITIES \$ 164,119

NET CASH PROVIDED BY OPERATING ACTIVITIES \$ 361,567

The accompanying Independent Auditors' Report and Notes are an integral part of the financial statements.

THE CENTER FOR COMPETITIVE POLITICS

NOTES TO FINANCIAL STATEMENTS

December 31, 2012

1. SIGNIFICANT ACCOUNTING POLICIES, ORGANIZATION AND PURPOSE

Organization and Purpose

The Center for Competitive Politics (CCP, the Center) is an independent, not-for-profit organization incorporated in Virginia in November 2005 that promotes and defends the First Amendment to the US Constitution's rights to free political speech, assembly and petition through litigation, communication, research and education. The Center's major program activities are as follows:

1. Litigation - The litigation program of the Center for Competitive Politics pursues strategic litigation and files amicus briefs to defend the First Amendment rights to free political speech, assembly and petition.
2. Research and External Relations - The Center for Competitive Politics publishes research on the effects of laws and regulations on the First Amendment rights to free political speech, assembly and petition. The Center also tracks and analyzes proposed legislation and regulations at the federal and state level that could affect these First Amendment rights.
3. Communication - The Center for Competitive Politics educates its supporters and the public at large of the benefits of the First Amendment rights to free political speech, assembly and petition and the importance of these rights to competitive elections to ensure integrity at all levels of the political process. It communicates this information through published articles in newspapers, websites and magazines, briefings of and interviews with journalists, appearances on television and radio, newsletters and an extensive website and blog.

Significant Accounting Policies

Basis of Accounting

The Center prepares its financial statements on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles. Revenues are recognized in the period in which they are earned; expenses are recognized in the period in which they are incurred.

Cash and Cash Equivalents

Cash consists of checking accounts. There were no cash equivalents as of December 31, 2012.

Accounts Receivable

Accounts receivable are stated as unpaid balance, less allowance for doubtful accounts. The Center provides for losses on accounts receivable using the allowance method. Management has determined that all significant receivables are collectible and, therefore, an allowance for doubtful accounts has not been established.

THE CENTER FOR COMPETITIVE POLITICS

NOTES TO FINANCIAL STATEMENTS

December 31, 2012

1. SIGNIFICANT ACCOUNTING POLICIES, ORGANIZATION AND PURPOSE (Continued)

Significant Accounting Policies (continued)

Property and Depreciation

All acquisitions of property and equipment in excess of \$1,000 and all expenditures for repairs, maintenance, renewals, and betterments that materially prolong the useful lives of assets are capitalized. Property and equipment are carried at cost or, if donated, at the appropriate fair value at the date of donation. Depreciation is computed using the straight-line method.

Classes of Assets

To ensure the observance of limitations and restrictions placed on the use of resources available to the Center, the Center accounts for its resources in classes established according to their nature and purpose. As of December 31, 2012, the net assets of the Center included both unrestricted and temporarily restricted net assets.

Unrestricted Net Assets include net assets which are available for general operations, as well as funds set aside by the Center's Board of Directors.

Temporarily Restricted Net Assets include net assets which are subject to donor-imposed restrictions for support of a particular operating activity. Temporarily restricted net assets totaled \$10,000 as of December 31, 2012.

Recognition of Contributions

The Center reports contributions with donor-imposed restrictions as restricted support; however, donor-restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted support. When the donor restriction ends or purpose 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.

Conditional contributions are recognized as refundable advances until they become unconditional, at which time they are recognized as support.

Income Taxes

The Center is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code, and has been granted public charity status. The Center conducts no taxable activities. Accordingly, no provision for income taxes has been provided in the financial statements.

THE CENTER FOR COMPETITIVE POLITICS

NOTES TO FINANCIAL STATEMENTS

December 31, 2012

1. SIGNIFICANT ACCOUNTING POLICIES, ORGANIZATION AND PURPOSE (Continued)

Significant Accounting Policies (continued)

Income Taxes (continued)

The Center's Federal Exempt Organization Business Income Tax returns (Form 990) for the years ended 2010, 2011, and 2012 are subject to examination by the Internal Revenue Service, generally for three years after they are filed.

Allocation of Functional Expenses

Expenses are charged directly to functional classifications of program, general and administrative, or fundraising based on specific identification. Indirect expenses have been allocated to functional classifications based on level of effort.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting 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 during the reporting period. Actual results could differ from those estimates.

2. CASH

Cash as of December 31, 2012 consisted of the following:

Operating	\$ 1,367,455
Payroll	29,418
	<u>\$ 1,396,873</u>

The Center maintains cash balances at multiple financial institutions. The balances are insured by the Federal Deposit Insurance Corporation. As of December 31, 2012, the Center's cash balances per bank in excess of federal deposit insurance coverage totaled \$1,866.

3. ACCOUNTS RECEIVABLE

Accounts receivable as of December 31, 2012 consists of the following:

Employee advances receivable	\$ 11,198
Refund of local taxes	5,098
	<u>\$ 16,296</u>

THE CENTER FOR COMPETITIVE POLITICS

NOTES TO FINANCIAL STATEMENTS

December 31, 2012

4. PROPERTY AND DEPRECIATION

Property depreciation for the year ended December 31, 2012 consisted of the following:

	Depreciation / amortization expense	Accumulated depreciation / amortization	Useful life (years)
Furniture, fixtures, and equipment	\$ 12,395	\$ 110,400	3 - 5
Leasehold improvements	11,012	68,777	3 - 6
Software	41	16,031	
Website development	8,851	16,800	3
	<u>\$ 32,299</u>	<u>\$ 212,008</u>	

5. TEMPORARILY RESTRICTED NET ASSETS

	December 31, 2012			
	Balance at December 31, 2011	Support and revenue	Net assets released from restrictions	Balance at December 31, 2012
Purpose restricted				
Free speech video	\$ 13,500	\$ -	\$ (3,500)	\$ 10,000
State Laws Project	-	500,000	(500,000)	-
	<u>\$ 13,500</u>	<u>\$ 500,000</u>	<u>\$ (503,500)</u>	<u>\$ 10,000</u>

6. COMMITMENTS

Office Lease

The Center entered into a lease agreement in September 2007 to lease office space in Alexandria, Virginia. The yearly base rent is \$88,416 with an annual cost of living increase of 3%. The Center delivered to the landlord a standby, irrevocable letter of credit for \$81,090 as a security deposit with the letter of credit declining each year of the lease as long as the lease is not in default. Rent expense for the year ended December 31, 2012 was \$105,534. The future minimum lease payments and the letter of credit amount required under this lease are as follows:

Fiscal year ending	Minimum Lease Payments	Letter of Credit Amount
2013	\$ 102,250	\$ 16,000
2014	105,317	16,000
2015	8,798	-
Total	<u>\$ 216,365</u>	

THE CENTER FOR COMPETITIVE POLITICS

NOTES TO FINANCIAL STATEMENTS

December 31, 2012

7. RETIREMENT PLAN

The Center has a defined contribution plan. Employees can contribute up to \$11,500 of their compensation in pre-tax dollars. The Center matches employee contributions up to 3% of an employee's salary. The Center made contributions in the amount of \$3,497 in 2012.

8. RELATED PARTY TRANSACTIONS

The Center has entered into an agreement with the Chairman and Founder of the Center for consulting services to provide services of a legal nature, and support the fundraising activities as well as other services as requested. The agreement expired on December 31, 2011, and it was renewed for an additional term of one year. The consultant services for the year ended December 31, 2012 totaled \$66,000.

9. CONCENTRATIONS

During 2012, the Center received \$995,000 or 69.96% of its total revenue from five donors. No contracts or pledges exist as a guarantee that these levels of contributions will continue.

10. SUBSEQUENT EVENTS

In preparing the financial statements, the Center has evaluated events and transactions for potential recognition or disclosure through August 20, 2013, the date of the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION

The Board of Directors
The Center for Competitive Politics
Alexandria, Virginia

We have audited the financial statements of The Center for Competitive Politics, as of and for the year ended December 31, 2012, and have issued our report thereon dated August 20, 2013 which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information is presented for the purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements and, therefore, we express no opinion on it.

Renner and Company, CPA, P.C.

August 20, 2013

THE CENTER FOR COMPETITIVE POLITICS

STATEMENT OF FUNCTIONAL EXPENSES
for the year ended December 31, 2012

	Program Services				Supporting Services		Total
	Communication	Legal	Research and External Relations	Total Program	Administrative	Development	
Salaries	\$ 155,207	\$ 272,004	\$ 118,684	\$ 545,895	\$ 16,472	\$ 88,671	\$ 651,038
Payroll taxes	12,326	21,602	9,426	43,354	1,308	7,042	51,704
Employee benefits	8,094	14,185	6,189	28,468	859	4,624	33,951
Accounting fees	5,483	9,609	4,193	19,285	582	3,133	23,000
Bank fees	-	-	-	-	3,346	-	3,346
Business meals	1,470	2,577	1,124	5,171	157	840	6,168
Computer services	5,803	10,169	4,437	20,409	616	3,315	24,340
Conferences	1,185	2,077	906	4,168	127	677	4,972
Depreciation	5,580	9,779	4,267	19,626	593	3,188	23,407
Amortization	2,120	3,715	1,621	7,456	225	1,211	8,892
Dues and subscriptions	7,012	12,288	5,362	24,662	744	4,006	29,412
Meetings	524	917	400	1,841	56	299	2,196
Insurance	-	-	-	-	5,000	-	5,000
Legal	-	53,181	-	53,181	-	-	53,181
Licenses and fees	-	2,379	-	2,379	-	-	2,379
Litigation fees	-	92	-	92	-	-	92
Equipment rental	231	404	176	811	24	132	967
Direct mail and postage	10,138	17,768	7,753	35,659	1,076	5,792	42,527
Marketing	14	25	11	50	2	8	60
Printing	4,400	7,710	3,364	15,474	467	2,514	18,455
Professional fees	24,995	43,804	19,113	87,912	2,653	14,280	104,845
Rent	25,159	44,092	19,239	88,490	2,670	14,374	105,534
Staff development	-	-	-	-	195	-	195
Supplies	1,142	2,001	873	4,016	122	652	4,790
Telephone and internet	2,248	3,939	1,719	7,906	239	1,284	9,429
Travel	9,259	16,227	7,080	32,566	982	5,290	38,838
Miscellaneous	935	1,638	715	3,288	99	534	3,921
Total	<u>\$ 283,325</u>	<u>\$ 552,182</u>	<u>\$ 216,652</u>	<u>\$ 1,052,159</u>	<u>\$ 38,614</u>	<u>\$ 161,866</u>	<u>\$ 1,252,639</u>

See Independent Auditors' Report on Supplementary Information.