

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

REPORT ON AUDIT OF FINANCIAL STATEMENTS

for the year ended December 31, 2011

**Renner
&
Company**
Certified
Public
Accountants

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying statement of financial position of The Center for Competitive Politics (a not-for-profit organization) as of December 31, 2011, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the management of The Center for Competitive Politics. 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 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 The Center for Competitive Politics as of December 31, 2011, 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 21, 2012

THE CENTER FOR COMPETITIVE POLITICS

STATEMENT OF FINANCIAL POSITION

December 31, 2011

ASSETS

CURRENT ASSETS

Cash	\$ 1,046,512
Accounts receivable	236,538
Prepaid expenses	14,346

TOTAL CURRENT ASSETS \$ 1,297,396

PROPERTY, at cost

Furniture, fixtures, and equipment	\$ 141,548
Leasehold improvements	80,709
Website development	10,600
	<u>\$ 232,857</u>
Accumulated depreciation and amortization	<u>(179,709)</u>

TOTAL PROPERTY, net \$ 53,148

OTHER ASSETS

Website in progress	\$ 18,600
Security deposit	200
Escrow	340

TOTAL OTHER ASSETS \$ 19,140

TOTAL ASSETS \$ 1,369,684

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	\$ 81,101
Accrued expenses	48,141
Obligation under capital lease	10,366

TOTAL CURRENT LIABILITIES \$ 139,608

LONG-TERM LIABILITIES

Deferred rent	\$ 17,220
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TOTAL LIABILITIES \$ 156,828

NET ASSETS

Unrestricted	\$ 1,199,356
Temporarily Restricted	13,500

TOTAL NET ASSETS \$ 1,212,856

TOTAL LIABILITIES AND NET ASSETS \$ 1,369,684

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, 2011

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<u>SUPPORT AND REVENUE</u>			
Contributions	\$ 1,789,679	\$ 25,000	\$ 1,814,679
Miscellaneous	1,290	-	1,290
Interest income	817	-	817
Net assets released from restrictions	11,500	(11,500)	
	<hr/>	<hr/>	<hr/>
<u>TOTAL SUPPORT AND REVENUE</u>	<u>\$ 1,803,286</u>	<u>\$ 13,500</u>	<u>\$ 1,816,786</u>
 <u>EXPENSES</u>			
Program	\$ 1,137,211	\$ -	\$ 1,137,211
General and administrative	53,775	-	53,775
Development	386,337	-	386,337
	<hr/>	<hr/>	<hr/>
<u>TOTAL EXPENSES</u>	<u>\$ 1,577,323</u>	<u>\$ -</u>	<u>\$ 1,577,323</u>
 <u>CHANGE IN NET ASSETS</u>	 <u>\$ 225,963</u>	 <u>\$ 13,500</u>	 <u>\$ 239,463</u>
 <u>NET ASSETS, beginning of year</u>	 <u>973,393</u>	 <u>-</u>	 <u>973,393</u>
	<hr/>	<hr/>	<hr/>
<u>NET ASSETS, end of year</u>	<u>\$ 1,199,356</u>	<u>\$ 13,500</u>	<u>\$ 1,212,856</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, 2011

CASH FLOWS FROM OPERATING ACTIVITIES

Cash received from operations	
Contributions	\$ 1,581,585
Interest income	817
Total cash received from operations	<u>\$ 1,582,402</u>
Cash disbursed by operations	
Payment to suppliers and employees	\$ 1,384,595
Interest	1,866
Total cash disbursed by operations	<u>\$ 1,386,461</u>

NET CASH PROVIDED BY OPERATING ACTIVITIES \$ 195,941

CASH FLOWS USED BY INVESTING ACTIVITIES

Purchase of equipment and other property \$ (10,067)

CASH FLOWS USED BY FINANCING ACTIVITIES

Payments on obligations under capital lease \$ (9,186)

NET INCREASE IN CASH \$ 176,688

CASH, beginning of year 869,824

CASH, end of year \$ 1,046,512

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, 2011

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

CHANGE IN NET ASSETS \$ 239,463

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

Depreciation expense	\$ 21,449
Amortization expense	4,932
Net	<u>\$ 26,381</u>

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

ASSETS

Prepaid expenses	\$ 101,161
Employee receivables	2,154
Accounts receivable	(236,538)
Website development	(18,600)
Escrow	3,573
	<u>\$ (148,250)</u>

LIABILITIES

Accounts payable	\$ 62,089
Accrued expenses	15,855
Deferred rent	403
	<u>\$ 78,347</u>

NET CHANGES IN ASSETS AND LIABILITIES \$ (69,903)

NET CASH PROVIDED BY OPERATING ACTIVITIES \$ 195,941

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, 2011

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 the 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, 2011.

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, 2011

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, 2011, 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 \$22,200 as of December 31, 2011.

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, 2011

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 2008, 2009, and 2010 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, 2011 consisted of the following:

Operating	\$ 1,022,116
Payroll	24,396
	<u>\$ 1,046,512</u>

The Center maintains cash balances at multiple financial institutions. The balances are insured by the Federal Deposit Insurance Corporation. As of December 31, 2011, the Center's cash balances per bank in excess of federal deposit insurance coverage totaled \$1,313.

THE CENTER FOR COMPETITIVE POLITICS

NOTES TO FINANCIAL STATEMENTS

December 31, 2011

3. PROPERTY AND DEPRECIATION

Property depreciation for the years ended December 31, 2011 consisted of the following:

	Depreciation / amortization expense	Accumulated depreciation / amortization	Useful life (years)
Furniture, fixtures, and equipment	\$ 11,836	\$ 113,995	3 - 5
Leasehold improvements	11,012	57,765	3 - 6
Website development	3,533	7,949	3
	<u>\$ 26,381</u>	<u>\$ 179,709</u>	

4. CAPITAL LEASE OBLIGATIONS

The Center leases furniture under a non-cancelable lease agreement. The lease is considered to be a capital lease and calls for monthly payments of \$921 through December 2012. The assets and liabilities under capital lease are recorded at the lower of the present value of minimum lease payments or the fair value of the assets. The assets are amortized over their estimated productive lives or the lease term, if shorter. The title to the leased furniture transfers to the Center at the end of the lease. Following is a summary of properties held under the capital lease:

Furniture	\$ 41,404
Less accumulated amortization	<u>(24,843)</u>
	<u>\$ 16,561</u>

Minimum future lease payments under the capital lease are approximated as follows:

	Total payments	Interest portion	Net
2012	<u>\$ 11,052</u>	<u>\$ 686</u>	<u>\$ 10,366</u>

Interest expense associated with this lease for the years ended December 31, 2011 was \$1,866.

5. TEMPORARILY RESTRICTED NET ASSETS

	<u>December 31, 2011</u>			
	Balance at December 31, 2010	Support and revenue	Net assets released from restrictions	Balance at December 31, 2011
Purpose restricted				
Free speech video	-	25,000	(11,500)	13,500
	<u>\$ -</u>	<u>\$ 25,000</u>	<u>\$ (11,500)</u>	<u>\$ 13,500</u>

THE CENTER FOR COMPETITIVE POLITICS

NOTES TO FINANCIAL STATEMENTS

December 31, 2011

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, 2011 was \$102,158. The future minimum lease payments and the letter of credit amount required under this lease are as follows:

	Minimum Lease Payments	Letter of Credit Amount
2012	\$ 99,271	\$ 32,436
2013	102,250	16,000
2014	105,317	16,000
2015	8,798	-
Total	<u>\$ 315,636</u>	

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 \$6,375 in 2011.

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, 2010, and it was renewed for an additional term of one year. The consultant services for the year ended December 31, 2011 totaled \$60,000.

During 2011, one of the Center's Board members was employed by the Center. This Board member was paid \$60,953 during 2011.

9. CONCENTRATIONS

During 2011, the Center received \$987,730 or 64% of its total revenue from four individual or organizational donors. No contracts or pledges exist as a guarantee that these levels of contributions will continue.

THE CENTER FOR COMPETITIVE POLITICS

NOTES TO FINANCIAL STATEMENTS

December 31, 2011

10. SUBSEQUENT EVENTS

In preparing the financial statements, the Center has evaluated events and transactions for potential recognition or disclosure through August 21, 2012, the date of the financial statements were available to be issued.

ADDITIONAL INFORMATION

INDEPENDENT AUDITORS' REPORT ON ADDITIONAL INFORMATION

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

Our report on our audit of the basic financial statements of The Center for Competitive Politics, as of December 31, 2011 is presented in the preceding section of this report. Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying additional information is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, therefore, we express no opinion on it.

Renner and Company, CPA, P.C.

August 21, 2012

THE CENTER FOR COMPETITIVE POLITICS

STATEMENT OF FUNCTIONAL EXPENSES
for the year ended December 31, 2011

	Program Services				Supporting Services			Total
	Communication	Legal	Research and External Relations	Total Program	Administrative	Development		
Salaries	\$ 187,068	\$ 112,932	\$ 179,163	\$ 479,163	\$ 13,684	\$ 171,457	\$	\$ 664,304
Payroll taxes	13,754	8,303	13,173	35,230	1,006	12,606		48,842
Employee benefits	12,318	7,436	11,797	31,551	902	11,290		43,743
Accounting fees	3,520	2,125	3,371	9,016	258	3,226		12,500
Bank fees	-	-	-	-	4,192	-		4,192
Business meals	1,217	735	1,166	3,118	89	1,116		4,323
Computer services	5,520	3,332	5,287	14,139	404	5,059		19,602
Conferences	953	576	913	2,442	70	874		3,386
Depreciation	6,040	3,646	5,785	15,471	442	5,536		21,449
Amortization	1,389	838	1,330	3,557	102	1,273		4,932
Dues and subscriptions	12,220	7,377	11,703	31,300	894	11,200		43,394
Meetings	1,111	671	1,064	2,846	81	1,018		3,945
Insurance	-	-	-	-	3,717	-		3,717
Interest	-	-	-	-	1,866	-		1,866
Legal	-	117,136	-	117,136	102	11,200		128,438
Licenses and fees	-	150	-	150	10,789	12,217		23,156
Litigation fees	-	5,691	-	5,691	-	-		5,691
Equipment rental	210	127	201	538	15	193		746
Direct mail and postage	69,666	42,057	66,722	178,445	5,095	63,852		247,392
Printing	2,072	1,251	1,984	5,307	152	1,899		7,358
Professional fees	26,760	16,155	25,629	68,544	1,958	24,527		95,029
Rent	28,768	17,367	27,552	73,687	2,104	26,367		102,158
Staff development	-	-	-	-	4,144	-		4,144
Supplies	4,296	2,593	4,114	11,003	314	3,937		15,254
Telephone	2,637	1,592	2,525	6,754	193	2,417		9,364
Travel	12,853	7,759	12,309	32,921	940	11,780		45,641
Miscellaneous	3,592	2,169	3,441	9,202	262	3,293		12,757
Total	\$ 395,964	\$ 362,018	\$ 379,229	\$ 1,137,211	\$ 53,775	\$ 386,337	\$	\$ 1,577,323

See Independent Auditors' Report on Additional Information.