

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

REPORT ON AUDIT OF FINANCIAL STATEMENTS

for the year ended December 31, 2013

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INDEPENDENT AUDITORS' REPORT

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

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, 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.

Auditors' 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 The Center for Competitive Politics 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.

Renner & Company, CPA, PC

Alexandria, Virginia
September 25, 2014

THE CENTER FOR COMPETITIVE POLITICS

STATEMENT OF FINANCIAL POSITION

December 31, 2013

ASSETS	LIABILITIES AND NET ASSETS	
CURRENT ASSETS	CURRENT LIABILITIES	
Cash	Accounts payable	\$ 84,560
Accounts receivable	Accrued expenses	33,336
Prepaid expenses	Deferred rent	8,534
		<u>126,430</u>
TOTAL CURRENT ASSETS	TOTAL CURRENT LIABILITIES	
		1,705,974
PROPERTY, at cost	LONG-TERM LIABILITIES	
Furniture, fixtures, and equipment	Deferred rent, net of current portion	732
Leasehold improvements		
Software	TOTAL LIABILITIES	<u>127,162</u>
Website development		
Accumulated depreciation and amortization	COMMITMENTS AND CONTINGENCIES	
TOTAL PROPERTY, net	NET ASSETS	
	Unrestricted	1,471,547
	Temporarily restricted	118,663
OTHER ASSETS		
Security deposit	TOTAL NET ASSETS	<u>1,590,210</u>
Escrow		
TOTAL OTHER ASSETS		
TOTAL ASSETS	TOTAL LIABILITIES AND NET ASSETS	
		\$ <u><u>1,717,372</u></u>

See accompanying Independent Auditors' Report and Notes to the Financial Statements.

THE CENTER FOR COMPETITIVE POLITICS

**STATEMENT OF ACTIVITIES
for the year ended December 31, 2013**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
SUPPORT AND REVENUE			
Contributions	\$ 1,370,151	\$ 175,000	\$ 1,545,151
Awards and grants	59,853	-	59,853
Corporate support and sponsorship	150,250	-	150,250
Miscellaneous	651	-	651
Net assets released from restrictions	66,337	(66,337)	-
TOTAL SUPPORT AND REVENUE	<u>1,647,242</u>	<u>108,663</u>	<u>1,755,905</u>
EXPENSES			
Program	1,254,922	-	1,254,922
General and administrative	98,137	-	98,137
Development	193,129	-	193,129
TOTAL EXPENSES	<u>1,546,188</u>	<u>-</u>	<u>1,546,188</u>
CHANGE IN NET ASSETS	101,054	108,663	209,717
NET ASSETS, beginning of year	<u>1,370,493</u>	<u>10,000</u>	<u>1,380,493</u>
NET ASSETS, end of year	<u>\$ 1,471,547</u>	<u>\$ 118,663</u>	<u>\$ 1,590,210</u>

See accompanying Independent Auditors' Report and Notes to the Financial Statements.

THE CENTER FOR COMPETITIVE POLITICS

**STATEMENT OF CASH FLOWS
for the year ended December 31, 2013**

CASH FLOWS FROM OPERATING ACTIVITIES

Cash received from operations	
Contributions	<u>\$ 1,772,163</u>
Cash disbursed by operations	
Payment to suppliers and employees	<u>1,477,831</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>294,332</u>
CASH, beginning of year	<u>1,396,873</u>
CASH, end of year	<u><u>\$ 1,691,205</u></u>

See accompanying Independent Auditors' Report and Notes to the Financial Statements.

THE CENTER FOR COMPETITIVE POLITICS

STATEMENT OF CASH FLOWS
for the year ended December 31, 2013

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

CHANGE IN NET ASSETS	<u>\$ 209,717</u>
ADJUSTMENTS TO RECONCILE CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Depreciation expense	22,799
Amortization expense	6,446
Loss on disposal of assets	1,153
Noncash occupancy costs	<u>(5,466)</u>
	<u>24,932</u>
CHANGES IN ASSETS AND LIABILITIES AFFECTING OPERATIONS PROVIDING (USING) CASH	
ASSETS	
Accounts receivable	16,258
Prepaid expenses	4,780
Escrow	<u>(1,505)</u>
	<u>19,533</u>
LIABILITIES	
Accounts payable	38,668
Accrued expenses	<u>1,482</u>
	<u>40,150</u>
NET CHANGES IN ASSETS AND LIABILITIES	<u>59,683</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u><u>\$ 294,332</u></u>

See accompanying Independent Auditors' Report and Notes to the Financial Statements.

THE CENTER FOR COMPETITIVE POLITICS

NOTES TO FINANCIAL STATEMENTS

December 31, 2013

1. SIGNIFICANT ACCOUNTING POLICIES, ORGANIZATION AND PURPOSE

Organization and Purpose

The Center for Competitive Politics (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. The Center considers as cash equivalents highly liquid investments, which can be converted into known amounts of cash and have a maturity period of 90 days or less at the time of purchase. There were no cash equivalents as of December 31, 2013.

See Independent Auditors' Report.

THE CENTER FOR COMPETITIVE POLITICS

NOTES TO FINANCIAL STATEMENTS December 31, 2013

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

Significant Accounting Policies (Continued)

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.

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, 2013, 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 \$118,663 as of December 31, 2013.

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.

See Independent Auditors' Report.

THE CENTER FOR COMPETITIVE POLITICS

NOTES TO FINANCIAL STATEMENTS

December 31, 2013

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

Significant Accounting Policies (Continued)

Advertising

The Center uses advertising to promote its programs among the public it serves. The costs of advertising are expensed as incurred. For the year ended December 31, 2013, the Center's advertising expenses were \$50,765.

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's Federal Exempt Organization Business Income Tax returns (Form 990) for the years ended 2011, 2012, and 2013 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.

See Independent Auditors' Report.

THE CENTER FOR COMPETITIVE POLITICS

**NOTES TO FINANCIAL STATEMENTS
December 31, 2013**

2. CASH

Cash as of December 31, 2013 consisted of the following:

Operating	\$ 1,683,607
Payroll	<u>7,598</u>
	<u>\$ 1,691,205</u>

The Center maintains cash balances at multiple financial institutions. The balances are insured by the Federal Deposit Insurance Corporation. As of December 31, 2013, the Center's cash balances per bank in excess of federal deposit insurance coverage totaled \$1,190,316.

3. PROPERTY AND DEPRECIATION

Property depreciation for the year ended December 31, 2013 consisted of the following:

	Cost	Depreciation / amortization expense	Accumulated depreciation / amortization	Useful life (years)
Furniture, fixtures, and equipment	\$ 123,913	\$ 12,033	\$ 121,142	3 - 5
Leasehold improvements	80,709	11,012	79,789	3 - 6
Software	16,031	-	16,031	
Website development	29,200	6,200	23,000	3
	<u>\$ 249,853</u>	<u>\$ 29,245</u>	<u>\$ 239,962</u>	

4. TEMPORARILY RESTRICTED NET ASSETS

	Balance at December 31, 2012	Support and revenue	Net assets released from restrictions	Balance at December 31, 2013
Purpose restricted				
Free speech video	\$ 10,000	\$ -	\$ (10,000)	\$ -
Advocacy restrictions project	-	175,000	(56,337)	118,663
	<u>\$ 10,000</u>	<u>\$ 175,000</u>	<u>\$ (66,337)</u>	<u>\$ 118,663</u>

See Independent Auditors' Report.

THE CENTER FOR COMPETITIVE POLITICS

NOTES TO FINANCIAL STATEMENTS
December 31, 2013

5. 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, 2013 was \$105,784. 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
2014	\$ 105,317	\$ 16,000
2015	8,798	-
Total	<u>\$ 114,115</u>	

6. 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 \$19,546 in 2013.

7. 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 original agreement expired December 31, 2011; however it has been renewed through December 31, 2014 and will be reviewed on an annual basis. The consultant services for the year ended December 31, 2013 totaled \$66,000.

8. CONCENTRATIONS

During 2013, the Center received \$1,355,000 or 77.17% of its total revenue from eight donors. No contracts or pledges exist as a guarantee that these levels of contributions will continue.

See Independent Auditors' Report.

THE CENTER FOR COMPETITIVE POLITICS

NOTES TO FINANCIAL STATEMENTS

December 31, 2013

9. SUBSEQUENT EVENTS

In preparing the financial statements, the Center has evaluated events and transactions for potential recognition or disclosure through September 25, 2014, the date of the financial statements were available to be issued.

Capital Lease

Subsequent to the fiscal year end, the Center entered into an agreement to lease a copier machine under a capital lease which commenced in February 2014 and expires January 2019. The assets and liabilities under the capital lease will be recorded at the lower of the present value of the minimum lease payments or the market value of the asset. The asset will be amortized over its estimated useful life. The capital lease liability will be secured by the leased assets.

Future minimum lease payments under this capital lease are as follows:

Fiscal year ending	Total Payments	Interest Portion	Net
2014	\$ 3,608	\$ 1,519	\$ 2,089
2015	3,936	1,381	2,555
2016	3,936	1,057	2,879
2017	3,936	692	3,244
2018	3,936	281	3,655
2019	328	3	325
Total	<u>\$ 19,680</u>	<u>\$ 4,932</u>	<u>\$ 14,748</u>

See Independent Auditors' Report.

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, 2013, and have issued our report thereon dated September 25, 2014, 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 statement of functional expense 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 & Company, CPA, PC

Alexandria, Virginia
September 25, 2014

THE CENTER FOR COMPETITIVE POLITICS

**STATEMENT OF FUNCTIONAL EXPENSES
for the year ended December 31, 2013**

	Program Services				Supporting Services			Total
	Communication	Legal	Research and External Relations		Total Program	Administrative	Development	
Salaries	\$ 167,240	\$ 323,225	\$ 159,763	\$ 650,228	\$ 60,600	\$ 76,183	\$ 787,011	
Payroll taxes	12,270	23,715	11,722	47,707	4,446	5,589	57,742	
Employee benefits	14,239	27,521	13,603	55,363	5,160	6,486	67,009	
Accounting fees	3,764	7,275	3,596	14,635	1,364	1,715	17,714	
Bank fees	-	-	-	-	4,153	-	4,153	
Business meals	1,182	2,202	1,778	5,162	473	395	6,030	
Computer services	3,390	6,552	3,238	13,180	1,229	1,544	15,953	
Conferences	-	-	3,203	3,203	-	-	3,203	
Depreciation	4,845	9,364	4,628	18,837	1,755	2,207	22,799	
Amortization	1,370	2,647	1,309	5,326	496	624	6,446	
Dues and subscriptions	516	43,545	3,320	47,381	-	826	48,207	
Meetings	-	-	512	512	-	511	1,023	
Insurance	221	6,927	211	7,359	80	100	7,539	
Legal	-	60,258	-	60,258	-	-	60,258	
Licenses and fees	-	2,873	-	2,873	-	-	2,873	
Loss on disposal of assets	-	-	-	-	1,153	-	1,153	
Direct mail and postage	10,170	421	1,473	12,064	706	24,497	37,267	
Marketing	50,765	-	-	50,765	-	-	50,765	
Printing	14,085	12,104	1,760	27,949	667	2,138	30,754	
Professional fees	57,399	32,018	11,318	100,735	6,364	52,593	159,692	
Rent	22,479	43,445	21,474	87,398	8,146	10,240	105,784	
Supplies	1,348	2,605	1,287	5,240	488	614	6,342	
Telephone and internet	1,058	2,044	1,011	4,113	383	482	4,978	
Travel	2,463	11,481	18,032	31,976	226	6,074	38,276	
Miscellaneous	684	1,321	653	2,658	248	311	3,217	
Total	\$ 369,488	\$ 621,543	\$ 263,891	\$ 1,254,922	\$ 98,137	\$ 193,129	\$ 1,546,188	

See Independent Auditors' Report on Supplementary Information.