

**FOUNDATION FOR INDIVIDUAL RIGHTS  
IN EDUCATION, INC.**

**FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2014**

**FOUNDATION FOR INDIVIDUAL RIGHTS  
IN EDUCATION, INC.  
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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Foundation for Individual Rights in Education, Inc.  
Philadelphia, Pennsylvania

We have audited the accompanying financial statements of Foundation for Individual Rights in Education, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2014, and the related statements of activities, functional expenses, 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 auditors' 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.

Board of Directors  
Foundation for Individual Rights in Education, Inc.

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Foundation for Individual Rights in Education, Inc. as of June 30, 2014, 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.

*CliftonLarsonAllen LLP*

**CliftonLarsonAllen LLP**

Plymouth Meeting, Pennsylvania  
September 24, 2014

**FOUNDATION FOR INDIVIDUAL RIGHTS  
IN EDUCATION, INC.  
STATEMENT OF FINANCIAL POSITION  
JUNE 30, 2014**

**ASSETS**

**CURRENT ASSETS**

Cash and Cash Equivalents	\$ 409,558
Certificates of Deposit	2,000,000
Pledge Receivable	100,000
Prepaid Expenses	179,831
Total Assets	<u>2,689,389</u>

**EQUIPMENT AND WEBSITE DESIGN, NET**

56,801

**OTHER ASSETS**

Security Deposit	43,564
Pledge Receivable, Net of Current Portion	72,717

Total Assets

\$ 2,862,471

**LIABILITIES AND NET ASSETS**

**CURRENT LIABILITIES**

Accounts Payable and Accrued Expenses	\$ 132,053
Deferred Rent	33,811
Total Current Liabilities	<u>165,864</u>

**NET ASSETS**

Unrestricted	1,909,283
Temporarily Restricted	764,025
Permanently Restricted	23,299

Total Net Assets

2,696,607

Total Liabilities and Net Assets

\$ 2,862,471

*See accompanying Notes to Financial Statements.*

**FOUNDATION FOR INDIVIDUAL RIGHTS  
IN EDUCATION, INC.  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2014**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>SUPPORT AND REVENUE</b>				
Contributions and Grants	\$ 2,778,656	313,946	\$ -	\$ 3,092,602
Interest Income	7,210	-	3	7,213
Realized Losses on Stock Donations	(1,291)	-	-	(1,291)
Other Income	30,029	-	-	30,029
Total	<u>2,814,604</u>	<u>313,946</u>	<u>3</u>	<u>3,128,553</u>
Net Assets Released from Restrictions	<u>757,041</u>	<u>(757,041)</u>	<u>-</u>	<u>-</u>
Total Support and Revenue	3,571,645	(443,095)	3	3,128,553
<b>EXPENSES</b>				
Program Services	2,751,577	-	-	2,751,577
Administrative Services	269,693	-	-	269,693
Development	309,334	-	-	309,334
Total Expenses	<u>3,330,604</u>	<u>-</u>	<u>-</u>	<u>3,330,604</u>
<b>CHANGE IN NET ASSETS</b>	241,041	(443,095)	3	(202,051)
Net Assets - Beginning of Year	<u>1,668,242</u>	<u>1,207,120</u>	<u>23,296</u>	<u>2,898,658</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 1,909,283</u>	<u>\$ 764,025</u>	<u>\$ 23,299</u>	<u>\$ 2,696,607</u>

See accompanying Notes to Financial Statements.

**FOUNDATION FOR INDIVIDUAL RIGHTS  
IN EDUCATION, INC.  
STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED JUNE 30, 2014**

	Program Services						Management and General	Development	Total
	Individual Rights Defense Program	Individual Rights Education Program	Free Speech Network	Free Speech Litigation Project	Policy Reform	Total Program Services			
Awards and Scholarships	\$ 5,689	\$ 4,861	\$ 4,411	\$ -	\$ 7,933	\$ 22,894	\$ 2,671	\$ 2,644	\$ 28,209
Business Insurance	2,083	1,780	1,066	-	2,904	7,833	978	968	9,779
Communications	6,932	5,893	3,558	-	9,642	26,025	3,091	3,232	32,348
Computer and Network Costs	10,611	8,937	5,515	-	14,693	39,756	4,234	5,012	49,002
Depreciation	-	-	-	-	-	-	11,182	-	11,182
Dues and Subscriptions	549	466	282	-	764	2,061	257	332	2,650
Event Expense	5,330	4,347	2,803	6,335	7,271	26,086	2,467	2,550	31,103
Lectures and Conferences	3,762	3,077	29,293	44,482	5,138	85,752	1,603	1,796	89,151
Legal Fees	653	558	334	350,165	911	352,621	294	291	353,206
Occupancy	33,203	28,299	17,017	-	46,242	124,761	15,576	15,457	155,794
Office Expenses	17,846	14,658	9,346	25	24,426	66,301	15,055	9,200	90,556
Postage and Delivery	10,484	8,709	5,455	-	14,425	39,073	4,880	4,959	48,912
Printing and Reproduction	21,818	18,643	11,165	-	30,423	82,049	10,243	10,141	102,433
Professional Fees	32,747	27,948	16,770	1,000	45,635	124,100	15,369	15,232	154,701
Publicity and Advertising	5,843	4,940	3,010	-	8,107	21,900	-	-	21,900
Research	7,714	6,591	3,948	-	10,756	29,009	-	-	29,009
Staff Training and Development	6,170	4,886	3,298	-	8,303	22,657	2,831	3,002	28,490
Taxes and Licenses	653	558	334	-	910	2,455	307	303	3,065
Travel and Entertainment	60,438	41,534	26,132	12,375	68,296	208,775	19,214	23,134	251,123
Wages, Payroll Taxes and Benefits	360,120	307,542	192,169	105,056	502,582	1,467,469	159,441	211,081	1,837,991
Total	<u>\$ 592,645</u>	<u>\$ 494,227</u>	<u>\$ 335,906</u>	<u>\$ 519,438</u>	<u>\$ 809,361</u>	<u>\$ 2,751,577</u>	<u>\$ 269,693</u>	<u>\$ 309,334</u>	<u>\$ 3,330,604</u>

See accompanying Notes to Financial Statements.

**FOUNDATION FOR INDIVIDUAL RIGHTS  
IN EDUCATION, INC.  
STATEMENT OF CASH FLOWS  
YEAR ENDED JUNE 30, 2014**

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Change in Net Assets	\$ (202,051)
Adjustments to Reconcile Change in Net Assets to Net Cash Used by Operating Activities:	
Depreciation	11,182
(Increase) Decrease in:	
Pledge Receivable	271,903
Prepaid Expenses	(157,228)
Security Deposit	(21,794)
Increase (Decrease) in:	
Accounts Payable and Accrued Expenses	93,463
Deferred Rent	(15,727)
Net Cash Used by Operating Activities	<u>(20,252)</u>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>	
Purchase of Certificates of Deposit	(2,750,000)
Redemption of Certificate of Deposit	1,500,000
Website Design	(44,373)
Net Cash Used by Investing Activities	<u>(1,294,373)</u>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	(1,314,625)
Cash and Cash Equivalents - Beginning of Year	<u>1,724,183</u>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u><u>\$ 409,558</u></u>

*See accompanying Notes to Financial Statements.*



**FOUNDATION FOR INDIVIDUAL RIGHTS  
IN EDUCATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

**NOTE 1      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Nature of Operations**

The Foundation for Individual Rights in Education, Inc. (the "Foundation") was incorporated on April 8, 1999. The Foundation is a Massachusetts non-profit corporation, based in Philadelphia, Pennsylvania, whose mission is to defend and sustain individual rights at America's colleges and universities. These rights include freedom of speech, legal equality, due process, religious liberty, and sanctity of conscience – the essential qualities of individual liberty and dignity. The Foundation's core mission is to protect the unprotected and to educate the public and communities of concerned Americans about threats to these rights on our campuses and about the means to preserve them. The Foundation is supported through private contributions and grants.

**Basis of Presentation**

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

**Classification of Net Assets**

Resources in the accompanying financial statements are classified for accounting and reporting purposes into three classes of net assets according to the existence or absence of donor-imposed restrictions as follows:

**Permanently Restricted Net Assets**

Net assets that are subject to donor-imposed restrictions that are to be maintained permanently by the Foundation or used to account for funds which have been accepted with donor stipulations that principal be maintained intact in perpetuity. At June 30, 2014, the Foundation had permanently restricted net assets of \$23,299.

**Temporarily Restricted Net Assets**

Net assets that are subject to donor-imposed restrictions relating to use and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. At June 30, 2014, the Foundation had temporarily restricted net assets of \$764,025.

**Unrestricted Net Assets**

Net assets that are not subject to donor-imposed restrictions.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are generally reported as decreases in unrestricted net assets. Expirations of donor-imposed stipulations that simultaneously increase one class of net assets and decrease another are reported as net assets released from restrictions.

**FOUNDATION FOR INDIVIDUAL RIGHTS  
IN EDUCATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

**NOTE 1      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclose 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.

**Cash and Cash Equivalents**

The Foundation considers all highly liquid investments in traditional bank accounts, money market funds, and certificates of deposit with a maturity of three months or less when purchased to be cash equivalents.

**Pledges Receivable**

Unconditional promises to give are recognized as revenue and pledges receivable in the period received. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

**Property, Equipment and Depreciation**

Assets purchased with an estimated useful life in excess of one year and in excess of \$2,000 are stated at cost and depreciated over the estimated useful lives of the related assets. Depreciation is computed over the estimated useful lives. Maintenance and repairs are charged to the operations when incurred. Significant betterments and renewals are capitalized. When property and equipment are sold or otherwise disposed of, the asset accounts and related accumulated depreciation accounts are relieved, and any gain or loss is included in operations.

Furniture and Fixtures	5 Years
Office Equipment	5-10 Years
Leasehold Improvements	7 Years

**Contributions**

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future use or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. When a temporary restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. These contributions consist of funds received from individuals, corporations, foundations and other nonprofit organizations for various activities provided by the Foundation.

**FOUNDATION FOR INDIVIDUAL RIGHTS  
IN EDUCATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Donated Securities**

The Foundation will receive, on occasion, donated securities from its donors. Once a security has been received, the Foundation will immediately sell at the securities fair market value with the proceeds being used based on the donor's stipulations. All realized gains and losses at the time of the sale are included in the Foundation's statement of activities.

**Functional Allocation of Expenses**

The costs of providing the Foundation's programs and other activities have been summarized on a functional basis. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses, which cannot be directly identified with specific functions, are allocated based on estimates of staff hours devoted to various functions.

**Income Taxes**

The Foundation is a non-profit organization as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal and state income taxes. Accordingly, there is no provision for income taxes. The Foundation is not aware of any activities that would jeopardize its tax-exempt status, nor is it aware of any of its activities that are subject to tax on unrelated business income taxes.

The Foundation follows the guidance in the income tax standard regarding the recognition and measurement of uncertain tax positions. The guidance clarifies the accounting for uncertainty in income taxes recognized in an entity's financial statements. The guidance further prescribes recognition and measurement of tax provisions taken or expected to be taken on a tax return that are not certain to be realized. The application of this standard had no impact on the Foundation's financial statements.

The Foundation's income tax returns are subject to review and examination by federal, state and local authorities. The tax returns for the years 2011, 2012 and 2013 are open for federal and state tax examinations.

**Subsequent Events**

In preparing these financial statements, the Foundation has evaluated events and transactions for potential recognition or disclosure through September 24, 2014, the date the financial statements were available to be issued.

**FOUNDATION FOR INDIVIDUAL RIGHTS  
IN EDUCATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

**NOTE 2 PLEDGE RECEIVABLE**

The Foundation receives gifts from time to time in the form of pledges, which are to be received in the upcoming years. Amounts received in excess of one year have been discounted to net present value at 2.47% at June 30, 2014. Management believes the entire amounts of the pledge receivables from these donors are fully collectible and, accordingly, has not provided an allowance on such receivables. Pledge receivables are as follows:

Receivable in Less Than One Year	\$	100,000
Receivable One to Three Years		75,000
Total Pledge Receivable		175,000
Less:		
Discount to Net Present Value		(2,283)
Net Pledge Receivable		\$ 172,717

**NOTE 3 EQUIPMENT AND WEBSITE DESIGN**

Equipment and website design assets as of June 30, 2014 were recorded at cost as follows:

Computer Equipment	\$	42,535
Furniture and Fixtures		92,823
Leasehold Improvements		7,650
Website Design		63,636
Total		\$ 206,644
Less: Accumulated Depreciation		149,843
Total Equipment and Website Design		\$ 56,801

Depreciation expense for the year ended June 30, 2014 was \$11,182.

**FOUNDATION FOR INDIVIDUAL RIGHTS  
IN EDUCATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

**NOTE 4      TEMPORARILY RESTRICTED**

Temporarily restricted net assets are available for the following purposes as of June 30, 2014:

Video Fellow	\$      24,923
iPhone Application	15,000
Legislative and Policy Project	130,000
Free Speech Litigation Project (AKA Hurricane Project)	494,402
Spotlight Database and Website Project	75,000
Summer Intern Program	5,000
15th Anniversary Gala	19,700
Total	<u><u>\$      764,025</u></u>

Temporarily restricted net assets released from restrictions for the year ended June 30, 2014 are as follows:

iPhone Application	\$      10,000
Legislative and Policy Project	97,500
Video Fellow	25,077
Campaign Freedom of the Press	10,000
2013 Video Initiative Matching Grant	20,125
2014 Video Initiative	1,025
Essay Contest	20,000
Stand Up for Speech	568,314
2013-2014 Lights, Camera, Liberty Program!	5,000
Total	<u><u>\$      757,041</u></u>

**NOTE 5      PERMANENTLY RESTRICTED**

**Endowment**

The Foundation's endowment consists of one individual fund established primarily to fund operations. The endowment includes only donor-restricted endowment funds. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence of donor-imposed restrictions or Pennsylvania Law.

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a US Treasury Money Market Fund.

The financial activity of the endowment fund is reflected on the statement of activities under the heading permanently restricted.

**FOUNDATION FOR INDIVIDUAL RIGHTS  
IN EDUCATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

**NOTE 6 OPERATING LEASES**

The Foundation leases office space in Philadelphia and Washington, DC, and office equipment. Rent expense incurred under operating leases for the year ended June 30, 2014 was \$152,445.

Minimum future rental payments under non-cancelable operating leases having initial or remaining terms in excess of one year as of June 30, 2014 are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2015	\$ 261,032
2016	246,530
2017	142,939
2018	146,744
2019	150,273
Thereafter	<u>49,920</u>
Total	<u>\$ 997,438</u>

**NOTE 7 PENSION PLAN**

The Foundation has a defined contribution salary deferral plan (403(b) plan), covering substantially all employees. The Foundation matched, dollar-for-dollar, employees' contributions up to a maximum of \$2,500 per year per employee. The total pension expense for the year ended June 30, 2014 was \$27,838.

**NOTE 8 RELATED PARTY TRANSACTIONS**

During the year ended June 30, 2014, the Foundation paid \$9,735 to the Foundation's Vice President's wife, who performed various program and administrative functions. In addition, the Foundation paid \$2,425 during the year ended June 30, 2014 to the Director of Legal and Public Advocacy's wife, who provided graphical design services the Foundation.