

United Religions (dba United Religions Initiative)
and Affiliate

CONSOLIDATED FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT

December 31, 2012 with comparative totals for 2011

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Certified Public Accountants & Advisors

INDEPENDENT AUDITORS' REPORT

Global Council

United Religions (dba United Religions Initiative)

We have audited the accompanying consolidated financial statements of United Religions (dba United Religions Initiative) (a non-profit organization) and Affiliate, which comprise the consolidated statement of financial position as of December 31, 2012, and the related consolidated 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

The Organization's management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

The prior year summarized comparative information has been derived from the Organization's 2011 consolidated financial statements and, in our report dated February 7, 2013, we expressed an unqualified opinion on those consolidated financial statements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization's preparation and fair presentation of the consolidated 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 Organization'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 consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITORS' REPORT (continued)

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of United Religions (dba United Religions Initiative) and Affiliate as of December 31, 2012, 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 United Religions December 31, 2011 consolidated financial statements, and our report dated February 7, 2013, expressed an unmodified opinion on those audited consolidated financial statements. In our opinion, the summarized comparative information presented therein as of and for the year ended December 31, 2011, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

DZH Phillips LLP

San Francisco, CA
July 16, 2013

United Religions (dba United Religions Initiative) and Affiliate
(non-profit organizations)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

December 31, 2012 with comparative totals for 2011

ASSETS		
	2012	2011
CURRENT ASSETS		
Cash and cash equivalents	\$ 5,759,000	\$ 965,688
Investments	-	1,015
Current portion of pledges receivable	1,020,000	83,090
Other receivables	19,261	2,502
Prepaid expenses and other assets	95,173	50,151
Total current assets	6,893,434	1,102,446
LONG-TERM ASSETS		
Investments restricted for long-term purposes	311,361	263,144
Pledges receivable	3,752,370	-
Equipment and improvements - net	12,147	15,133
Intangible assets - net	76,884	108,698
Deposits	11,513	11,513
Total assets	\$ 11,057,709	\$ 1,500,934
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 25,556	\$ 53,209
Accrued vacation	81,216	79,523
Total current liabilities	106,772	132,732
COMMITMENTS	-	-
NET ASSETS		
Unrestricted	5,482,314	476,794
Temporarily restricted	5,218,623	641,408
Permanently restricted	250,000	250,000
Total net assets	10,950,937	1,368,202
Total liabilities and net assets	\$ 11,057,709	\$ 1,500,934

The accompanying notes are an integral part of this statement.

United Religions (dba United Religions Initiative) and Affiliate
(non-profit organizations)

CONSOLIDATED STATEMENT ACTIVITIES

Year ended December 31, 2012 with comparative totals for 2011

	2012			2011	
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
Support and revenues:					
Grants and contributions	\$ 7,010,177	\$ 5,035,845	\$ -	\$ 12,046,022	\$ 2,075,151
In-kind contributions	6,552	-	-	6,552	4,429
Income from fundraising event, net of expenses of \$54,600 and \$62,609 in 2012 and 2011, respectively	80,995	-	-	80,995	180,534
Rental income	12,450	-	-	12,450	11,910
Interest and dividends	707	6,511	-	7,218	7,713
Net realized and unrealized gain/(loss) on investments	(14,946)	41,706	-	26,760	(8,206)
Other income	329	-	-	329	699
	<u>7,096,264</u>	<u>5,084,062</u>	<u>-</u>	<u>12,180,326</u>	<u>2,272,230</u>
Net assets released from restrictions	506,847	(506,847)	-	-	-
Total support and revenues	<u>7,603,111</u>	<u>4,577,215</u>	<u>-</u>	<u>12,180,326</u>	<u>2,272,230</u>
Expenditures:					
Global Community Development	1,138,954	-	-	1,138,954	1,021,100
Peace Building	43,487	-	-	43,487	57,426
Global Council	140,024	-	-	140,024	147,082
Communications	218,189	-	-	218,189	259,297
Young Leaders	182,255	-	-	182,255	117,857
Education & Outreach	229,583	-	-	229,583	174,533
Environment	97,412	-	-	97,412	109,446
Total program services	2,049,904	-	-	2,049,904	1,886,741
Management and general	276,212	-	-	276,212	231,731
Fundraising	271,475	-	-	271,475	246,046
	<u>2,597,591</u>	<u>-</u>	<u>-</u>	<u>2,597,591</u>	<u>2,364,518</u>
CHANGE IN NET ASSETS	5,005,520	4,577,215	-	9,582,735	(92,288)
Net assets - beginning of year	476,794	641,408	250,000	1,368,202	1,460,490
Net assets - end of year	<u>\$ 5,482,314</u>	<u>\$ 5,218,623</u>	<u>\$ 250,000</u>	<u>\$ 10,950,937</u>	<u>\$ 1,368,202</u>

The accompanying notes are an integral part of this statement.

United Religions (dba United Religions Initiative) and Affiliate
(non-profit organizations)

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

Year ended December 31, 2012 with comparative totals for 2011

	2012										2011												
	Global					Program Services					Supportive Services					Total							
	Community Development	Peace Building	Global Council	Communications	Young Leaders	Education & Outreach	Environment	Program Services	Management & General	Fundraising	Total	Community Development	Peace Building	Global Council	Communications	Young Leaders	Education & Outreach	Environment	Program Services	Management & General	Fundraising	Total	
Salaries	\$ 410,110	\$ 6,097	\$ 77,044	\$ 120,024	\$ 98,736	\$ 164,937	\$ 27,593	\$ 904,541	\$ 102,585	\$ 133,490	\$ 1,140,616	\$ 410,110	\$ 6,097	\$ 77,044	\$ 120,024	\$ 98,736	\$ 164,937	\$ 27,593	\$ 904,541	\$ 102,585	\$ 133,490	\$ 1,140,616	
Payroll taxes	27,746	352	5,224	8,411	4,038	11,762	2,075	59,608	8,495	9,606	77,709	27,746	352	5,224	8,411	4,038	11,762	2,075	59,608	8,495	9,606	77,709	
Employee benefits	88,646	715	14,430	16,365	11,137	21,905	5,615	158,813	22,096	27,795	208,704	88,646	715	14,430	16,365	11,137	21,905	5,615	158,813	22,096	27,795	208,704	
Total personnel costs	526,502	7,164	96,698	144,800	113,911	198,604	35,283	1,122,962	133,176	170,891	1,427,029	526,502	7,164	96,698	144,800	113,911	198,604	35,283	1,122,962	133,176	170,891	1,427,029	
Accounting fees	7,740	-	1,935	3,440	645	1,505	860	16,125	1,935	3,440	21,500	7,740	-	1,935	3,440	645	1,505	860	16,125	1,935	3,440	21,500	
Legal fees	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Supplies	7,797	3,271	2,623	4,471	2,318	1,070	540	22,090	6,552	2,438	30,712	7,797	3,271	2,623	4,471	2,318	1,070	540	22,090	6,552	2,438	30,712	
Telephone	11,313	374	10,759	1,471	1,110	607	2,675	28,309	2,814	3,454	34,577	11,313	374	10,759	1,471	1,110	607	2,675	28,309	2,814	3,454	34,577	
Postage and shipping	2,462	-	594	4,626	453	208	249	8,592	74	8,292	16,958	2,462	-	594	4,626	453	208	249	8,592	74	8,292	16,958	
Occupancy	52,038	-	13,009	23,128	4,337	10,118	5,782	108,412	13,009	23,128	144,549	52,038	-	13,009	23,128	4,337	10,118	5,782	108,412	13,009	23,128	144,549	
Equipment rental and maintenance	2,194	-	549	975	183	427	244	4,572	1,064	975	6,611	2,194	-	549	975	183	427	244	4,572	1,064	975	6,611	
Software purchase and maintenance	-	-	-	-	137	-	-	137	1,213	-	1,350	-	-	-	-	-	-	-	137	1,213	-	-	1,350
Printing and copying	2,927	-	656	5,923	638	860	315	11,319	555	14,621	26,495	2,927	-	656	5,923	638	860	315	11,319	555	14,621	26,495	
Travel	18,718	-	2,628	142	35,107	1,910	4,134	62,639	3,509	26,795	92,943	18,718	-	2,628	142	35,107	1,910	4,134	62,639	3,509	26,795	92,943	
Bad debt expense	-	-	-	-	-	-	-	-	52,650	-	52,650	-	-	-	-	-	-	-	-	52,650	-	-	52,650
Depreciation and amortization	-	-	-	-	-	-	-	-	34,800	-	34,800	-	-	-	-	-	-	-	-	34,800	-	-	34,800
Bank fees	360	-	-	-	185	-	-	545	9,770	-	10,315	360	-	-	-	185	-	-	545	9,770	-	-	10,315
Professional services	4,974	16,559	1,243	9,433	470	967	559	34,205	1,243	10,536	45,984	4,974	16,559	1,243	9,433	470	967	559	34,205	1,243	10,536	45,984	
Other professional services	2,000	-	85	7,488	2,676	7,166	36,608	56,023	85	922	76,880	2,000	-	85	7,488	2,676	7,166	36,608	56,023	85	922	76,880	
Dues and subscriptions	32	-	8	14	3	76	4	137	8	14	159	32	-	8	14	3	76	4	137	8	14	159	
Insurance	4,121	-	913	1,657	304	710	406	8,111	1,461	1,623	11,195	4,121	-	913	1,657	304	710	406	8,111	1,461	1,623	11,195	
Taxes, licenses and fees	4,774	2	1,188	2,111	597	924	528	10,124	1,986	2,113	14,223	4,774	2	1,188	2,111	597	924	528	10,124	1,986	2,113	14,223	
Internet/web	937	-	356	1,407	691	169	97	3,657	2,068	339	6,064	937	-	356	1,407	691	169	97	3,657	2,068	339	6,064	
Grants	464,709	-	-	-	10,611	-	7,234	482,554	-	-	482,554	464,709	-	-	-	10,611	-	7,234	482,554	-	-	482,554	
Workshops, training	28	15,170	-	-	4,564	-	19,762	19,762	92	-	19,854	28	15,170	-	-	4,564	-	19,762	19,762	92	-	19,854	
Miscellaneous	25,328	947	6,780	7,103	3,315	4,262	1,894	49,629	1,964	1,894	53,487	25,328	947	6,780	7,103	3,315	4,262	1,894	49,629	1,964	1,894	53,487	
Total expenses - 2012	\$ 1,138,954	\$ 43,487	\$ 140,024	\$ 218,189	\$ 182,255	\$ 229,583	\$ 97,412	\$ 2,049,904	\$ 276,212	\$ 271,475	\$ 2,597,591	\$ 1,138,954	\$ 43,487	\$ 140,024	\$ 218,189	\$ 182,255	\$ 229,583	\$ 97,412	\$ 2,049,904	\$ 276,212	\$ 271,475	\$ 2,597,591	
Total expenses - 2011	\$ 1,021,100	\$ 57,426	\$ 147,082	\$ 259,297	\$ 117,857	\$ 174,533	\$ 109,446	\$ 1,886,741	\$ 231,731	\$ 246,046	\$ 2,364,518	\$ 1,021,100	\$ 57,426	\$ 147,082	\$ 259,297	\$ 117,857	\$ 174,533	\$ 109,446	\$ 1,886,741	\$ 231,731	\$ 246,046	\$ 2,364,518	

The accompanying notes are an integral part of this statement.

United Religions (dba United Religions Initiative) and Affiliate
(non-profit organizations)

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended December 31, 2012 with comparative totals for 2011

	2012	2011
Cash flows provided by (used in) operating activities		
Change in net assets	\$ 9,582,735	\$ (92,288)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	34,800	35,640
Interest and dividends reinvested	(7,218)	(7,713)
Realized and unrealized net (gains) losses on investments	(26,760)	15,919
Changes in operating assets and liabilities		
Pledges receivable	(4,689,280)	319,660
Other receivables	(16,759)	9,802
Prepaid expenses and other assets	(45,022)	(39,292)
Deposits	-	22,927
Accounts payable and accrued expenses	(27,653)	614
Accrued vacation	1,693	9,611
Payable to fiduciary groups	-	(6,486)
	4,806,536	268,394
Net cash provided by operating activities		
Cash flows provided by (used in) investing activities		
Purchases of investments	(13,224)	(4,791)
	(13,224)	(4,791)
Net cash used in investing activities		
	4,793,312	263,603
NET INCREASE IN CASH AND CASH EQUIVALENTS		
Cash and cash equivalents - beginning of year	965,688	702,085
Cash and cash equivalents - end of year	\$ 5,759,000	\$ 965,688

The accompanying notes are an integral part of this statement.

United Religions (dba United Religions Initiative) and Affiliate
(non-profit organizations)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2012

NOTE A - DESCRIPTION OF ORGANIZATION AND NATURE OF ACTIVITIES

United Religions Initiative (URI) is a non-profit organization incorporated in California. Founded in 2000, URI is a global interfaith network that promotes peace and justice by engaging people at the grassroots level to bridge religious and cultural differences and work together for the good of their communities and the world. URI implements their mission through local and global initiatives that build the capacity of their member groups and organizations to engage in community action such as conflict resolution and reconciliation, environmental sustainability, education, women's and youth programs, and advocacy for human rights.

The United Religions Initiative Foundation, Inc. (the Foundation) is a supporting organization formed in 2006 to facilitate financial support for the activities of URI.

Program activities include:

Global Community Development: In 13 years, URI has grown from 83 founding member organizations, called Cooperation Circles (CCs), to over 570 in 83 countries. Collectively, CCs have more than 600,000 members addressing the most pressing issues facing their communities (such as poverty, women's issues and environmental degradation), touching the lives of 2.6 million people around the world. URI's unique global network of grassroots CCs allows for "border-crossing" among faith traditions; propels rapid, self-replicating growth; and extends its chartered principles into multi-stakeholder partnerships to increase social cohesion and build regional stability. Locally rooted, these groups and organizations are self-organized by the people of different faiths and traditions who work together for the good of their communities.

URI's 14 regional coordinators and numerous country liaisons located around the world help CCs build capacity, provide visibility for CC work, organize regional gatherings and trainings and seed new CCs. URI's San Francisco headquarters provides for accountability and support for regional coordinators and regional leadership teams. With headquarters in San Francisco, URI maintains a global member database and communications network, leads strategic planning, manages finance, publicizes CC impact worldwide, engages in fundraising, and supports global initiatives, such as the Young Leaders Program. The Executive Management team of the Executive Director, Associate Executive Director and President, and an elected 28-member Global Council of Trustees leads the URI network and is supported by 16 staff members at URI's headquarters.

United Religions (dba United Religions Initiative) and Affiliate
(non-profit organizations)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

December 31, 2012

NOTE A - DESCRIPTION OF ORGANIZATION AND NATURE OF ACTIVITIES (continued)

Global Council: The Global Council (URI's international board of trustees) is URI's governing body. With trustees from 19 countries and diverse religious and indigenous traditions, the Global Council brings its grassroots experience to URI's ongoing strategic planning, network development and global engagement and serves to increase URI presence all over the world. The Global Council currently meets once a year in person, and three times a year by conference call. In between these meetings, the Council operates through working committees that communicate by email and conference call. Members of the Global Council also represent regions and sit on Regional Leadership Teams that plan and implement regional strategies to grow URI and bring CCs together to design and implement cooperative regional campaigns.

Communications: Communications is one of the major services provided to URI's international network. URI's global website, www.uri.org, was designed to magnify URI's impact, highlight CC successes, create calls for action and more. Additionally, URI produces a print or email newsletter called InterAction quarterly and an Annual Report. URI's presence in the social networking domain was enhanced by launching URI sites on YouTube, Twitter and Facebook. URI's Communications team also manages press relations and facilitates an accessible exchange of resources and best practices within the different regions to create stronger communities of practice within URI.

Education and Outreach: As part of URI's efforts to fulfill its Mission and Purpose, URI members with expertise in specific fields lead training sessions and present at conferences around the world. In addition, members of URI engage in strategic networking, both to share URI's work and to promote new partnerships to support the development of that work. URI's public web site includes an interfaith teachers' curriculum for elementary and middle school students, as well as an extensive resource section.

United Religions (dba United Religions Initiative) and Affiliate
(non-profit organizations)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

December 31, 2012

NOTE A - DESCRIPTION OF ORGANIZATION AND NATURE OF ACTIVITIES (continued)

Global Initiatives: URI organizes a number of global initiatives designed to increase capacity at the regional level in the areas of peacebuilding, youth and women's leadership development, and to move forward action in the areas of the environment, indigenous peoples and other critical issues.

Peacebuilding: URI's peacebuilding programs, including its Traveling Peace Academy and CC-affiliated Bridge Builders program, provide training in mediation, conflict resolution, leadership and diversity training for CCs working in conflict zones as well as in changing urban communities. In addition, URI is actively supporting the development of specific peacebuilding interventions. From mediating land use conflicts in post civil war Uganda to bridging religious and cultural divides in Argentina, these programs engage both CCs and local partners in restorative justice initiatives and the development of greater social cohesion and understanding. URI has also recently launched its new Talking Back to Hate campaign in response to a rising tide of xenophobia throughout Europe, the US and other regions. In 2013 URI will complete a strategic plan for peacebuilding programs.

Women's Initiative: URI's new Women's Initiative supports the work of women-led CCs confronting issues such as domestic violence, female infanticide, cultures of discrimination and lack of access to education and economic resources. A pilot project launched this year in the Middle East, India, Pakistan and the Great Lakes Region of Africa (Kenya, Rwanda, Uganda, Burundi, South Sudan and Democratic Republic of the Congo), the Women's Initiative will also act as a clearinghouse of ideas, allowing women and women-led CCs in the global network to share best practices and success stories, and work collaboratively across borders on solutions to common problems.

Young Leaders Program: The Young Leaders Program (YLP) is a capacity-building program that focuses on developing the next generation of compassionate interfaith leaders. YLP facilitates leadership training for youth and young adults, including skill building in community mapping, project design, management and evaluation with a focus on service learning. These training sessions have taken place in Argentina, Bosnia, Bulgaria, Malaysia, Morocco, the Philippines, Uganda and United States. YLP also organizes a year-long Youth Ambassadors Program that provides in-depth, experiential leadership opportunities culminating in a collaborative service project.

United Religions (dba United Religions Initiative) and Affiliate
(non-profit organizations)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

December 31, 2012

NOTE A - DESCRIPTION OF ORGANIZATION AND NATURE OF ACTIVITIES (continued)

Young Leaders Program (continued): In the San Francisco Bay Area, YLP works closely with teens from local high schools and is developing a youth speakers panel to address issues of discrimination and bullying. YLP seeks to develop diverse and strong regional networks of young leaders, offering platforms for dialogue, best practice sharing and information exchange, as well as a way to build locally-relevant interfaith programming that meets the specific needs of youth in each region. To date, networks have been launched in Europe, Africa and in the San Francisco Bay Area with more in development.

Indigenous Initiative: The Indigenous Initiative seeks to include the voices and participation of indigenous people and to address concerns unique to indigenous communities throughout the world. Though in its early stages of development, the impact of this initiative is starting to emerge: in Panama, URI's Mujeres Artisanas Kunas CC is working to provide tools and training to help preserve the tradition of Mola weaving among women in the Kuna community, while the AMARU CC offers microcredit loans to improve the quality of life of indigenous families in Peru.

Environment: In addition to the environment-related projects undertaken by local Cooperation Circles, the global URI's President leads the Environmental Satellite Cooperation Circle, which works to engage URI's international network on urgent environmental issues and provides seed grants to support environmental projects at the local level.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of consolidation

The consolidated financial statements include the accounts of United Religions (dba United Religions Initiative), and its affiliate, The United Religions Initiative Foundation, Inc., a California non-profit organization (the Organization). All material intercompany balances and transactions have been eliminated.

Basis of accounting

The Organization maintains its records using the accrual basis of accounting.

United Religions (dba United Religions Initiative) and Affiliate
(non-profit organizations)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

December 31, 2012

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Description of net assets

Unrestricted Net Assets

The portion of net assets that is not subject to donor imposed stipulations or restrictions.

Temporarily Restricted Net Assets

The portion of net assets for which use by the Organization is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Organization.

Permanently Restricted Net Assets

The portion of net assets for which use by the Organization is limited by donor-imposed stipulations that neither expire by passage of time nor can otherwise be removed by actions of the Organization. The income derived from these funds is available for cash awards to Cooperation Circles in each of the Organization's eight regions of the world, on a triennial basis.

Cash and cash equivalents

For purposes of the statement of cash flows, the Organization considers all unrestricted, highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Investments

Investments include mutual funds that are recorded at their published fair market value and stock donations received at year end that have not been liquidated that are valued at fair market value at the date of donation, and adjusted to the fair market value at year end.

United Religions (dba United Religions Initiative) and Affiliate
(non-profit organizations)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

December 31, 2012

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The Organization considers the use of market-based information over entity specific information in valuing its marketable investment securities. The Organization uses a three-level hierarchy for fair value measurements based on the nature of inputs used in the valuation of an asset or liability as of the measurement date.

The three-level hierarchy for fair value measurements is defined as follows:

- *Level 1* inputs to the valuation methodology - quoted prices (unadjusted) for identical assets or liabilities in active markets.
- *Level 2* inputs to the valuation methodology - quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the investment.
- *Level 3* inputs to the valuation methodology - unobservable and significant to the fair value measurement.

Grants and pledges receivable

The Organization recognizes all unconditional grants and pledges in the period notified. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Amounts that are restricted by the donor/grantor are reported as increases in temporarily restricted net assets or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Equipment and improvements

Equipment and improvements purchased with estimated useful lives in excess of one year are capitalized at cost. Donated assets are capitalized at the fair market value on the date of receipt. Depreciation is computed on the straight-line method using estimated useful lives, generally over five years.

United Religions (dba United Religions Initiative) and Affiliate
(non-profit organizations)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

December 31, 2012

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax status

United Religions and the Foundation are recognized as public charities exempt from federal and California income taxes under Section 501(c)(3) of the Internal Revenue Code and Section 23701 of the California Revenue and Taxation Code. Accordingly, no provision has been made for such taxes in the accompanying consolidated financial statements.

Each year, management considers whether any material tax positions the Organizations have taken are more likely than not to be sustained upon examination by the applicable taxing authority. Management believes that any positions the Organizations have taken are supported by substantial authority and hence do not need to be measured or disclosed in these consolidated financial statements. Tax returns for years subsequent to December 31, 2008 are subject to examination by the applicable authorities.

Functional allocation of expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities and in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The Organization pools common costs that benefit all its activities and allocates them to all activities based on the estimated amount of time spent by staff in each activity. Salaries and related expenses were allocated based on estimated employee time worked in each activity.

In-kind contributions

The Organization records contributed goods and services at fair value. Services are recorded if they 1) create or enhance a non-financial asset or 2) would typically need to be purchased by the Organization if they had not been provided by contribution, they require special skills and are provided by individuals with those skills. During the year ended December 31, 2012, the Organization recognized \$6,552 in contributed goods and services.

United Religions (dba United Religions Initiative) and Affiliate
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

December 31, 2012

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Grants and contributions

Contributions and grants are reflected in the accounts of the Organization when their receipt is reasonably assured. All contributions and grants are considered to be available for unrestricted use unless specifically restricted by the donor or granting agency.

The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose of restriction 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.

The Organization reports gifts of property and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support.

Use of estimates

The preparation of consolidated financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Comparative financial information

The consolidated 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 U.S. generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's consolidated financial statements for the year ended December 31, 2011, from which the summarized information was derived.

Subsequent events

Management has evaluated events and transactions for potential recognition or disclosure through the date the consolidated financial statements were available to be issued, July 16, 2013.

United Religions (dba United Religions Initiative) and Affiliate
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

December 31, 2012

NOTE C - PLEDGES RECEIVABLE

Promises to give at December 31, 2012, consist of the following:

	Current	Due in 2 to 5 Years	Total
Temporarily restricted:			
Peacebuilding Program	\$ 20,000	\$ -	\$ 20,000
Time-restricted	1,000,000	4,000,000	5,000,000
	1,020,000	4,000,000	5,020,000
Discount to net present value	-	(247,630)	(247,630)
	\$ 1,020,000	\$ 3,752,370	\$ 4,772,370

Pledges receivable due after December 31, 2012, are stated at their net present values. Management has discounted this promise to give based on a 2.64% discount rate, the U.S. Treasury long-term rate at the time of the pledge. The present value discount will be recognized in income as a contribution over the period from the date the promise is made to the date of collection.

NOTE D - INVESTMENTS AND FAIR VALUE MEASUREMENTS

Cost and fair market value of investments are as follows:

	Cost	Fair market value	Unrealized gain
Mutual funds	\$ 292,955	\$ 311,361	\$ 18,406

The major categories of assets and liabilities measured at fair value on a recurring basis during the year ended December 31, 2012 consist of investments. An investment's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

All of the Organization's investments are measured using quoted prices in active markets for identical assets (Level 1).

United Religions (dba United Religions Initiative) and Affiliate
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

December 31, 2012

NOTE E - EQUIPMENT AND IMPROVEMENTS

Equipment and improvements as of December 31, 2012 consist of the following:

Furniture and equipment	\$ 99,131
Leasehold improvements	<u>11,747</u>
	110,878
Less: accumulated amortization	<u>(98,731)</u>
	<u><u>\$ 12,147</u></u>

Depreciation expense for the year ended December 31, 2012 amounted to \$2,986.

NOTE F - INTANGIBLE ASSETS

Intangible assets consist of website development costs with a gross carrying amount of \$159,070 and accumulated amortization of \$82,186. Such costs are amortized on the straight-line method over an estimated useful life of five years. Amortization expense for the year ended December 31, 2012 amounted to \$31,814. Future amortization expense is expected to be as follows:

<u>Year ending December 31,</u>	
2013	\$ 34,800
2014	34,800
2015	<u>7,284</u>
	<u><u>\$ 76,884</u></u>

United Religions (dba United Religions Initiative) and Affiliate
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

December 31, 2012

NOTE G - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at December 31, 2012 are restricted for the following purposes:

Time-restricted	\$ 4,752,370
President's Council	164,236
Face 2 Face Campaign	150,000
Bowes Award (endowment income)	61,361
Circles of Light event	47,225
Peacebuilding activities	20,000
Young Leaders	12,681
Membership	10,000
Other	750
	<hr/>
	\$ 5,218,623

NOTE H - ENDOWMENT FUND

The Organization has one donor restricted endowment fund in the amount of \$250,000, where the income is restricted for providing cash awards to Cooperation Circles (the "Bowes Award"). This fund is classified as permanently restricted.

Interpretation of relevant law

The Organization has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of the gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by SPMIFA.

United Religions (dba United Religions Initiative) and Affiliate
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

December 31, 2012

NOTE H - ENDOWMENT FUND (continued)

Interpretation of relevant law (continued)

In accordance with SPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the fund, (2) the purposes of the Organization and the donor-restricted endowment fund, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Organization, (7) the investment policies of the Organization.

From time to time, the fair value of assets associated with individual donor restricted endowment fund may fall below the level that the donor or SPMIFA requires the Organization to retain as a fund of perpetual duration. In accordance with generally accepted accounting principles, deficiencies of this nature are reported in unrestricted net assets. There were no deficiencies at December 31, 2012.

Return objectives and risk parameters

The investment objective for funds of the Organization allocated to "endowment" by the Global Council is to achieve the highest return for the risk deemed appropriate by the Investment Committee. In assessing risk, the Investment Committee should assume that the Organization's investment horizon stretches into perpetuity and its need for liquidity is limited.

Expect in those circumstances in which doing so would cause the endowment to incur outsized risk, the Investment Committee shall, at a minimum, strive to achieve returns that maintain the Endowment's purchasing power after disbursements. Specifically, the Endowment's annual return should match or exceed the inflation rate associated with non-profit organizations plus the rate of endowment spending.

Strategies employed for achieving objectives

To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

United Religions (dba United Religions Initiative) and Affiliate
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

December 31, 2012

NOTE H - ENDOWMENT FUND (continued)

Spending policy and how the investment objectives relate to spending policy

The Organization's investment policy provides for a conservative stream of income to preserve the value of the corpus in perpetuity. In addition, the Organization has elected not to spend net assets if doing so would cause the balance to drop below \$250,000.

Changes in endowment net assets for the fiscal year ended December 31, 2012 are as follows:

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets - beginning of year	\$ 13,144	\$ 250,000	\$ 263,144
Interest and dividends	6,511	-	6,511
Net realized and unrealized gains	<u>41,706</u>	<u>-</u>	<u>41,706</u>
Endowment net assets - end of year	<u>\$ 61,361</u>	<u>\$ 250,000</u>	<u>\$ 311,361</u>

United Religions (dba United Religions Initiative) and Affiliate
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

December 31, 2012

NOTE I - FUNDRAISING EVENT

The Organization's fundraising event activity occurs over parts of two calendar years; thus some revenues and expenses are recognized and recorded in the year prior to the event. The following is a summary of total revenues and expenses related to the 2012 event:

	2012 Circles of Light transactions incurred in:		
	2011	2012	Total
Revenues and contributions:			
Donations	\$ 32,307	\$ 103,300	\$ 135,607
Fundraising revenue	45,643	135,595	181,238
Total revenues and contributions	77,950	238,895	316,845
Expenses:			
Directly related to event	-	54,600	54,600
Other	19,807	53,422	73,229
Total expenses	19,807	108,022	127,829
Total income from fundraising event	<u>\$ 58,143</u>	<u>\$ 130,873</u>	<u>\$ 189,016</u>

NOTE J - RETIREMENT PLAN

During the year ended December 31, 2012, the Organization established the United Religions Initiative Defined Contribution Plan, formerly the Episcopal Church Lay Employees' defined contribution retirement plan (a multi-employer plan). The Organization may contribute to the plan at their sole discretion. Eligible employees may participate in the plan upon reaching age 18 and upon being credited with one year of service.

During the year ended December 31, 2012, the Organization also adopted the United Religions Initiative 403(b) Plan. Eligible employees are able to participate in the Plan on their first day of employment. The employer matches 5% of salary semi-monthly for each employee after 1 year of employment, and if an employee contributes at least of 4% of salary the employer will match an additional 4%.

Total contribution expense for the year ended December 31, 2012 amounted to \$86,737.

United Religions (dba United Religions Initiative) and Affiliate
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

December 31, 2012

NOTE K - LINE OF CREDIT

The Organization entered into a loan agreement for a \$150,000 secured line of credit. The loan is secured by inventory, chattel paper accounts, equipment, and general intangibles. The loan agreement provides for a variable interest rate equal to 1% over the bank's prime rate. This line of credit was not utilized during the year ended December 31, 2012.

NOTE L - LEASE COMMITMENTS

The Organization leases office space in San Francisco under a lease which expired on April 3, 2013 and was extended for a two year period through April 2015. Monthly payments under the lease are \$12,059. Total rent expense (including building operating expenses) for the year ended December 31, 2012 amounted to \$144,550.

The Organization leases a copier under an operating lease expiring on December 31, 2015. Monthly payments under the lease are \$396 per month.

Minimum annual payments required under the leases are as follows:

<u>Year ending December 31,</u>	
2013	\$ 159,067
2014	167,983
2015	<u>59,846</u>
	<u>\$ 386,896</u>

NOTE M - CONCENTRATIONS

Financial instruments that potentially subject the Organization to concentrations of credit risk consist of cash and cash equivalents maintained in one financial institution in amounts exceeding FDIC insurance.

At December 31, 2012, 99% of the pledges receivable balance and 47% of the total contributions recognized during the year were from one donor.