# United Religions (dba United Religions Initiative)
# and Affiliate

## CONSOLIDATED FINANCIAL STATEMENTS
## AND
## INDEPENDENT AUDITORS' REPORT

December 31, 2013 with comparative totals for 2012

CONTENTS

DZH PHILLIPS
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, 2013, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements.

**Management's Responsibility for the Consolidated 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 consolidated 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.

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.

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**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, 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.

**Report on Summarized Comparative Information**

We have previously audited United Religions and Affiliate's December 31, 2012 consolidated financial statements, and we expressed an unmodified opinion on those audited consolidated financial statements in our report dated July 16, 2013. In our opinion, the summarized comparative information presented therein as of and for the year ended December 31, 2012, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

DZH Phillips LLP

San Francisco, California
October 6, 2014

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

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

December 31, 2013 with comparative totals for 2012

## ASSETS

| | 2013 | 2012 |
|---|---|---|
| CURRENT ASSETS | | |
| Cash and cash equivalents | $ 1,655,453 | $ 5,759,000 |
| Investments | 1,105 | - |
| Current portion of pledges receivable | 1,026,500 | 1,020,000 |
| Other receivables | 2,951 | 19,261 |
| Prepaid expenses and other assets | 46,493 | 95,173 |
| Total current assets | 2,732,502 | 6,893,434 |
| LONG-TERM ASSETS | | |
| Investments designated for long-term purposes | 3,569,981 | 311,361 |
| Pledges receivable | 2,850,164 | 3,752,370 |
| Equipment and improvements - net | 45,109 | 12,147 |
| Intangible assets - net | 45,070 | 76,884 |
| Deposits | 13,899 | 11,513 |
| Total assets | $ 9,256,725 | $ 11,057,709 |

## LIABILITIES AND NET ASSETS

| | 2013 | 2012 |
|---|---|---|
| CURRENT LIABILITIES | | |
| Accounts payable | $ 29,530 | $ 25,556 |
| Accrued vacation | 61,171 | 81,216 |
| Total current liabilities | 90,701 | 106,772 |
| COMMITMENTS | - | - |
| NET ASSETS | | |
| Unrestricted | 4,598,904 | 5,482,314 |
| Temporarily restricted | 4,317,120 | 5,218,623 |
| Permanently restricted | 250,000 | 250,000 |
| Total net assets | 9,166,024 | 10,950,937 |
| Total liabilities and net assets | $ 9,256,725 | $ 11,057,709 |

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, 2013 with comparative totals for 2012

| | 2013 | | | | 2012 |
|---|---|---|---|---|---|
| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total | Total |
| Support and revenues: | | | | | |
| Grants and contributions | $ 595,849 | $ 479,053 | $ - | $ 1,074,902 | $ 12,046,022 |
| In-kind contributions | 58,817 | - | - | 58,817 | 6,552 |
| Income from fundraising event, net of expenses of $71,790 and $54,600 in 2013 and 2012, respectively | 44,835 | - | - | 44,835 | 80,995 |
| Rental income | 5,950 | - | - | 5,950 | 12,450 |
| Interest and dividends | 93,769 | 6,896 | - | 100,665 | 7,218 |
| Net realized and unrealized gain on investments | 76,685 | 81,430 | - | 158,115 | 26,760 |
| Other income | 858 | - | - | 858 | 329 |
| | 876,763 | 567,379 | - | 1,444,142 | 12,180,326 |
| Net assets released from restrictions | 1,468,882 | (1,468,882) | - | - | - |
| Total support and revenues | 2,345,645 | (901,503) | - | 1,444,142 | 12,180,326 |
| Expenditures: | | | | | |
| Global Community Development | 1,420,971 | - | - | 1,420,971 | 1,138,954 |
| Peace Building | 51,614 | - | - | 51,614 | 43,487 |
| Global Council | 358,429 | - | - | 358,429 | 140,024 |
| Communications | 275,722 | - | - | 275,722 | 218,189 |
| Young Leaders | 146,074 | - | - | 146,074 | 182,255 |
| Education & Outreach | 230,775 | - | - | 230,775 | 229,583 |
| Environment | 222,673 | - | - | 222,673 | 97,412 |
| Total program services | 2,706,258 | - | - | 2,706,258 | 2,049,904 |
| Management and general | 255,531 | - | - | 255,531 | 276,212 |
| Fundraising | 267,266 | - | - | 267,266 | 271,475 |
| Total expenditures | 3,229,055 | - | - | 3,229,055 | 2,597,591 |
| CHANGE IN NET ASSETS | (883,410) | (901,503) | - | (1,784,913) | 9,582,735 |
| Net assets - beginning of year | 5,482,314 | 5,218,623 | 250,000 | 10,950,937 | 1,368,202 |
| Net assets - end of year | $ 4,598,904 | $ 4,317,120 | $ 250,000 | $ 9,166,024 | $ 10,950,937 |

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, 2013 with comparative totals for 2012

| | 2013 | | | | | | | | | | | 2012 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Program Services | | | | | | | | Supportive Services | | | |
| | Global Community Development | Peace Building | Global Council | Communications | Young Leaders | Education & Outreach | Environment | Total Program Services | Management & General | Fundraising | Total | Total |
| Salaries | $ 589,596 | $ 7,772 | $ 111,889 | $ 156,913 | $ 78,389 | $ 163,345 | $ 27,470 | $ 1,135,374 | $ 74,503 | $ 130,113 | $ 1,339,990 | $ 1,140,616 |
| Payroll taxes | 39,731 | 524 | 7,540 | 10,574 | 5,282 | 11,007 | 1,851 | 76,509 | 5,021 | 8,768 | 90,298 | 77,709 |
| Employee benefits | 93,206 | 1,229 | 17,688 | 24,806 | 12,392 | 25,822 | 4,343 | 179,486 | 11,778 | 20,569 | 211,833 | 208,704 |
| Total personnel costs | 722,533 | 9,525 | 137,117 | 192,293 | 96,063 | 200,174 | 33,664 | 1,391,369 | 91,302 | 159,450 | 1,642,121 | 1,427,029 |
| Accounting fees | 9,556 | - | 2,093 | 3,614 | 969 | 1,743 | 996 | 18,971 | 2,241 | 3,688 | 24,900 | 21,500 |
| Legal fees | - | - | - | - | - | - | - | - | 51,238 | - | 51,238 | 6,552 |
| Supplies | 6,588 | - | 1,606 | 2,344 | 1,372 | 976 | 1,733 | 14,619 | 6,787 | - | 21,406 | 30,712 |
| Telephone | 6,103 | 172 | 2,452 | 1,463 | 834 | 947 | 2,757 | 14,728 | 14,375 | 1,456 | 30,559 | 34,577 |
| Postage and shipping | 2,930 | - | 376 | 2,034 | 254 | 232 | 143 | 5,969 | 923 | 7,314 | 14,206 | 16,958 |
| Occupancy | 62,385 | - | 10,004 | 17,686 | 11,053 | 10,091 | 8,608 | 119,827 | 13,997 | 21,672 | 155,496 | 144,549 |
| Equipment rental and maintenance | 4,095 | - | 763 | 1,373 | 493 | 695 | 397 | 7,816 | 1,716 | 1,328 | 10,860 | 6,611 |
| Software purchase and maintenance | 174 | - | - | 950 | - | - | - | 1,124 | 1,191 | 6,991 | 9,306 | 1,350 |
| Printing and copying | 5,404 | - | 3,584 | 30,118 | 2,309 | 2,433 | 600 | 44,448 | 3,583 | 36,613 | 84,644 | 26,495 |
| Travel | 17,131 | 6 | 49,492 | 17 | 12,292 | 2,830 | 16,578 | 98,346 | 1,985 | 1,130 | 101,461 | 92,943 |
| Bad debt expense | - | - | - | - | - | - | - | - | 1,250 | - | 1,250 | 52,650 |
| Conferences and conventions | - | - | 2,619 | - | - | 250 | 41,854 | 44,723 | - | - | 44,723 | - |
| Global conference | - | - | 113,791 | - | - | - | - | 113,791 | - | - | 113,791 | - |
| Depreciation and amortization | - | - | - | - | - | - | - | - | 41,495 | - | 41,495 | 34,800 |
| Bank fees | 2,014 | - | - | - | 310 | - | - | 2,324 | 10,608 | - | 12,932 | 10,315 |
| Professional services | 7,288 | - | 4,643 | 12,480 | 606 | 950 | 68,530 | 94,497 | 1,852 | 13,972 | 110,321 | 45,984 |
| Other professional services | 9,354 | 41,667 | 13,676 | 3,330 | 3,025 | 2,208 | 21,616 | 94,876 | 165 | 2,161 | 97,202 | 57,030 |
| Dues and subscriptions | - | - | - | - | - | - | - | - | 70 | 1,295 | 1,365 | 159 |
| Insurance | 3,932 | 29 | 809 | 1,256 | 485 | 1,044 | 291 | 7,846 | 1,815 | 1,143 | 10,804 | 11,195 |
| Payroll fees | 7,382 | - | 1,174 | 1,846 | 1,007 | 1,174 | 671 | 13,254 | 1,510 | 2,013 | 16,777 | 13,054 |
| Taxes, licenses and fees | - | - | 238 | - | 149 | - | - | 387 | 258 | - | 645 | 1,169 |
| Internet/web | 701 | 100 | - | 1,138 | 894 | 2,623 | 71 | 5,527 | 201 | 366 | 6,094 | 6,064 |
| Grants | 537,218 | - | - | - | 3,788 | - | - | 541,006 | - | - | 541,006 | 482,554 |
| SEED grants | 1,000 | - | - | - | 3,925 | - | 6,484 | 11,409 | - | - | 11,409 | - |
| Workshops, training | 6,259 | 18 | 5,130 | 709 | 4,607 | 985 | 11,364 | 29,072 | 1,250 | 1,942 | 32,264 | 19,854 |
| Miscellaneous | 8,924 | 97 | 8,862 | 3,071 | 1,639 | 1,420 | 6,316 | 30,329 | 5,719 | 4,732 | 40,780 | 53,487 |
| Total expenses - 2013 | $ 1,420,971 | $ 51,614 | $ 358,429 | $ 275,722 | $ 146,074 | $ 230,775 | $ 222,673 | $ 2,706,258 | $ 255,531 | $ 267,266 | $ 3,229,055 | |
| 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 |

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, 2013 with comparative totals for 2012

| | 2013 | 2012 |
|---|---|---|
| Cash flows provided by (used in) operating activities: | | |
| Change in net assets | $ (1,784,913) | $ 9,582,735 |
| Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities: | | |
| Depreciation and amortization | 41,495 | 34,800 |
| Interest and dividends reinvested | (100,665) | (7,218) |
| Net realized and unrealized gain on investments | (158,115) | (26,760) |
| Changes in operating assets and liabilities: | | |
| Pledges receivable | 895,706 | (4,689,280) |
| Other receivables | 16,310 | (16,759) |
| Prepaid expenses and other assets | 48,680 | (45,022) |
| Deposits | (2,386) | - |
| Accounts payable and accrued expenses | 3,974 | (27,653) |
| Accrued vacation | (20,045) | 1,693 |
| Net cash provided by (used in) operating activities | (1,059,959) | 4,806,536 |
| Cash flows provided by (used in) investing activities | | |
| Purchase of equipment | (42,643) | - |
| Proceeds from sales of investments | 15,800 | - |
| Purchases of investments | (3,016,745) | (13,224) |
| Net cash used in investing activities | (3,043,588) | (13,224) |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | (4,103,547) | 4,793,312 |
| Cash and cash equivalents - beginning of year | 5,759,000 | 965,688 |
| Cash and cash equivalents - end of year | $ 1,655,453 | $ 5,759,000 |

The accompanying notes are an integral part of this statement.

## NOTE A - DESCRIPTION OF ORGANIZATION AND NATURE OF ACTIVITIES

Founded in 2000, URI (United Religions Initiative) is a global network that promotes enduring, daily interfaith cooperation by engaging people at the grassroots level to build bridges of understanding across religious and cultural differences and work together for the good of their communities and the world. We implement our mission by creating a vital transformative network that connects, enables, trains and amplifies the work of locally based groups. URI's network invites grassroots leaders to self-organize in accord with URI's purpose and principles, implement local initiatives, exchange inspiration, ideas and knowledge, and deepen mutual understanding and respect through strong interpersonal relationships. URI's network strengthens the capacity of member groups and organizations to engage in community actions that meet their most pressing needs, such as poverty, conflict resolution, environmental sustainability, education, women's empowerment, inter-religious dialogue and advocacy for human rights.

The United Religions Initiative Foundation is an independent 501(c)(3) organization which was created by the URI's Global Council as a competent, trustworthy vehicle for investing and managing a major endowment dedicated to supporting URI's core activities around the world. The Board of the Foundation, whose members are approved by the Global Council, oversees URI investments and monitors endowment investment performance and the usage of funds by the URI organization; communicates regularly with the Global Council to receive its guidance and understand organizational needs as well as to inform and guide the Global Council about URI investments.

Program activities include:

**Global Network Development:** In 14 years, URI has grown from 83 founding member organizations, called Cooperation Circles (CCs), to more than 625 groups in 84 countries. Collectively, CCs have more than 600,000 members and touch the lives of 2.6 million people around the world. URI's unique global network of grassroots CCs calls forth locally initiated actions by self-supporting groups and organizations. CCs can be small groups organizing for the first time or well-established organizations. Every CC must have at least seven members, three of whom must be from a different religion or spiritual/cultural tradition.

URI's network structure includes eight regions which are staffed by 14 regional coordinators who coordinate regional leadership teams that include trustees, staff and numerous country liaisons located around the world. These regional bases are also in direct communication with CCs. They help CCs build capacity, provide visibility for CC work, assist CCs in building partnerships, organize regional gatherings and trainings, and seed new CCs. URI's San Francisco global support office provides for accountability and support for regional coordinators and regional leadership teams.

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

**Global Network Development (continued):** URI's global support office oversees the operations of the URI network, energizing the network by supporting regional leadership teams, creating a flow of quality information, maintaining a CC member database, managing finance, publicizing CC impact worldwide, engaging in fundraising, and providing focused resource support in areas such as conflict transformation, the environment, women's empowerment, and youth leadership. The Executive Director and President, working on behalf of an elected 28-member Global Council of Trustees, lead the URI network and are supported by 16 global support staff based in San Francisco.

**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 build network benefit to member CCs and develop collective global campaigns, such as mobilizing CCs around the world to participate in the International Day of Peace on September 21.

**Communications:** Communications is one of the major services provided to URI's international network. URI's global website, www.uri.org, is designed to magnify URI's impact, highlight CC successes, connect CCs, provide resource information to CCs, create calls for collective action, and more. Additionally, URI produces a print and 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 URI gatherings 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.

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

**Focused Resource Support:** URI provides various targeted resources to the global CC network. URI global support builds specific capacity for CCs involved in conflict resolution, women's empowerment, indigenous wisdom and practices, environmental issues and youth leadership. URI identifies CCs as well as individuals and organizations with specific expertise and resources in these areas and provides an effective channel of communication, creative resourcing and education to strengthen CC capacity.

URI has a Youth Leadership Program (YLP) that attracts, educates, and develops capacities of youth and young adults as a next generation of compassionate and effective 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.

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.

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.

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.

The Organization maintains its cash and money market account balances at financial institutions located in San Francisco, California. Such balances with any one institution may, at times, be in excess of federally insured amounts. Risks associated with cash and cash equivalents are mitigated by banking with creditworthy institutions. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk.

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.

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.

## 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, 2009 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, 2013, the Organization recognized $58,817 in contributed goods and services.

### 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.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Grants and contributions (continued)

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.

Reclassifications

Certain amounts in the prior year financial statements have been reclassified to conform with the presentation in the current year financial statements. Net assets and change in net assets were not affected by these reclassifications.

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, 2012, 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, October 6, 2014.

## NOTE C - PLEDGES RECEIVABLE

Pledges receivable at December 31, 2013, consist of the following:

| | Current | Due in 2 to 5 Years | Total |
|---|---|---|---|
| Temporarily restricted: | | | |
| Time-restricted | $ 1,026,500 | $ 3,000,000 | $ 4,026,500 |
| Discount to net present value | - | (149,836) | (149,836) |
| | $ 1,026,500 | $ 2,850,164 | $ 3,876,664 |

Pledges receivable due after December 31, 2013, are stated at their net present values. Management has discounted these promises to give based on a 2.54% 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 was 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 | Cumulative Unrealized gain |
|---|---|---|---|
| Common stock | $ 1,104 | $ 1,105 | $ 1 |
| Mutual funds | 3,393,007 | 3,569,981 | 176,974 |
| | $ 3,394,111 | $ 3,571,086 | $ 176,975 |

The major categories of assets and liabilities measured at fair value on a recurring basis during the year ended December 31, 2013 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.

## NOTE D - INVESTMENTS AND FAIR VALUE MEASUREMENTS (continued)

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

## NOTE E - EQUIPMENT AND IMPROVEMENTS

Equipment and improvements as of December 31, 2013 consist of the following:

| | |
|---|---|
| Furniture and equipment | $ 141,774 |
| Leasehold improvements | 11,747 |
| | 153,521 |
| Less: accumulated amortization | (108,412) |
| | $ 45,109 |

Depreciation expense for the year ended December 31, 2013 amounted to $9,681.

## NOTE F - INTANGIBLE ASSETS

Intangible assets consist of website development costs with a gross carrying amount of $159,070 and accumulated amortization of $114,000. 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, 2013 amounted to $31,814. Future amortization expense is expected to be as follows:

| Year ending December 31, | |
|---|---|
| 2014 | $ 31,814 |
| 2015 | 13,256 |
| | $ 45,070 |

## NOTE G - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at December 31, 2013 are restricted for the following purposes:

| | |
|---|---|
| Time-restricted | $ 3,876,664 |
| President's Council | 155,815 |
| Bowes Award (endowment income) | 149,687 |
| Ambassador Fund | 73,252 |
| Peggy Olsen Fund | 22,775 |
| Young Leaders | 21,712 |
| Circles of Light event | 7,215 |
| Website | 10,000 |
| | $ 4,317,120 |

Temporarily restricted net assets released during the year ended December 31, 2013 consist of the following:

| | |
|---|---|
| Time-restricted | $ 1,000,000 |
| President's Council | 208,603 |
| Face 2 Face Campaign | 150,000 |
| Peacebuilding activities | 20,000 |
| Young Leaders | 27,043 |
| Circles of Light event | 52,486 |
| Membership | 10,000 |
| Other | 750 |
| | $ 1,468,882 |

## 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.

NOTE H - ENDOWMENT FUND (continued)

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.

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, 2013.

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.

Except 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.

NOTE H - ENDOWMENT FUND (continued)

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.

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, 2013 are as follows:

| | Temporarily Restricted | Permanently Restricted | Total |
|---|---|---|---|
| Endowment net assets - beginning of year | $ 61,361 | $ 250,000 | $ 311,361 |
| Contributions | - | - | - |
| Interest and dividends | 6,896 | - | 6,896 |
| Net realized and unrealized gains | 81,430 | - | 81,430 |
| Endowment net assets - end of year | $ 149,687 | $ 250,000 | $ 399,687 |

## 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 2013 event:

| | 2013 Circles of Light transactions incurred in: | | |
|---|---|---|---|
| | 2012 | 2013 | Total |
| Revenues and contributions: | | | |
| Donations | $ 10,300 | $ 132,075 | $ 142,375 |
| Fundraising revenue | 16,900 | 116,625 | 133,525 |
| In-kind | - | 6,879 | 6,879 |
| Other | - | 1,500 | 1,500 |
| Total revenues and contributions | 27,200 | 257,079 | 284,279 |
| Expenses: | | | |
| Directly related to event | - | 71,790 | 71,790 |
| Other | - | 10,383 | 10,383 |
| Total expenses | - | 82,173 | 82,173 |
| Total income from fundraising event | $ 27,200 | $ 174,906 | $ 202,106 |

Fundraising revenue net of expenses directly related to the event amounted to $44,835.

## NOTE J - RETIREMENT PLAN

Multiemployer plan

The Organization is a participant in The Church Pension Fund Clergy Pension Plan (the “Plan”), a multiemployer defined benefit plan. The only employee in the plan is the Executive Director.

## NOTE J - RETIREMENT PLAN (continued)

Multiemployer plan (continued)

The Organization's contribution to the Plan for the year ended December 31, 2013 amounted to $19,132. The Organization's contributions to the Plan do not represent more than 5% of the total contributions received by the Plan. The assessments for the year ended March 31, 2014 (the Plan year) were 18% of the participant's compensation. Selected information regarding the Plan at March 31, 2014 is as follows:

| | |
|---|---|
| Net assets available for benefits | $ 121,527,320 |
| Actuarial present value of accumulated plan benefits | $ 160,257,000 |
| Indicated level of funding | 75% |

The Plan is not required to file Form 5500; therefore, certain information is not required to be made available publicly. If the Organization withdraws its participation in the Plan, the Organization is not subject to withdrawal liability under the current terms of the plan. To the extent that the Plan is underfunded, the Organization's future contributions to the Plan may increase to cover retirement benefits of employees of other organizations participating in the Plan.

Other plans

In 2012 the Organization established the United Religions Initiative Defined Contribution 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.

In 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, 2013 amounted to $52,706.

## 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, 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, 2013.

## NOTE L - LEASE COMMITMENTS

The Organization leases office space in San Francisco under a lease which expires in April, 2015. Monthly payments under the lease are $13,260. Total rent expense (including building operating expenses) for the year ended December 31, 2013 amounted to $155,497.

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:

| Year ending December 31, | |
|---|---|
| 2014 | $ 167,983 |
| 2015 | 59,846 |
| | $ 227,829 |

## NOTE M - CONCENTRATIONS

At December 31, 2013, 99% of the pledges receivable balance is from one donor.