

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

FINANCIAL STATEMENTS

SIX-MONTH PERIOD ENDED JUNE 30, 2013

**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, 2013, and the related statements of activities, functional expenses, and cash flows for the six-month period 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, 2013, and the changes in its net assets and its cash flows for the six-month period then ended in accordance with accounting principles generally accepted in the United States of America.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Plymouth Meeting, Pennsylvania
November 8, 2013

**FOUNDATION FOR INDIVIDUAL RIGHTS
IN EDUCATION, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2013**

ASSETS

CURRENT ASSETS

Cash and Cash Equivalents	\$ 1,724,183
Certificates of Deposit	750,000
Pledge Receivable	300,000
Prepaid Expenses	<u>22,603</u>
Total Assets	2,796,786

EQUIPMENT AND WEBSITE DESIGN

23,610

OTHER ASSETS

Security Deposit	21,770
Pledge Receivable, Net of Current Portion	<u>144,620</u>

Total Assets

\$ 2,986,786

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts Payable and Accrued Expenses	\$ 38,590
Deferred Rent	<u>49,538</u>
Total Current Liabilities	88,128

NET ASSETS

Unrestricted	1,668,242
Temporarily Restricted	1,207,120
Permanently Restricted	<u>23,296</u>

Total Net Assets

2,898,658

Total Liabilities and Net Assets

\$ 2,986,786

See accompanying Notes to Financial Statements.

**FOUNDATION FOR INDIVIDUAL RIGHTS
IN EDUCATION, INC.
STATEMENT OF ACTIVITIES
SIX-MONTH PERIOD ENDED JUNE 30, 2013**

	Unrestricted	Temporary Restricted	Permanently Restricted	Total
SUPPORT AND REVENUE				
Contributions and Grants	\$ 511,147	\$ 1,285,620	\$ -	\$ 1,796,767
Interest Income	4,498	-	1	4,499
Realized Losses on Stock Donations	(844)	-	-	(844)
Other Income	6,775	-	-	6,775
Total	<u>521,576</u>	<u>1,285,620</u>	<u>1</u>	<u>1,807,197</u>
Net Assets Released from Restrictions	<u>245,300</u>	<u>(245,300)</u>	<u>-</u>	<u>-</u>
Total Support and Revenue	766,876	1,040,320	1	1,807,197
EXPENSES				
Program Services	938,134	-	-	938,134
Administrative Services	108,720	-	-	108,720
Development	132,496	-	-	132,496
Total Expenses	<u>1,179,350</u>	<u>-</u>	<u>-</u>	<u>1,179,350</u>
CHANGE IN NET ASSETS	(412,474)	1,040,320	1	627,847
Net Assets - Beginning of Year	<u>2,080,716</u>	<u>166,800</u>	<u>23,295</u>	<u>2,270,811</u>
NET ASSETS - END OF PERIOD	<u>\$ 1,668,242</u>	<u>\$ 1,207,120</u>	<u>\$ 23,296</u>	<u>\$ 2,898,658</u>

See accompanying Notes to Financial Statements.

**FOUNDATION FOR INDIVIDUAL RIGHTS
IN EDUCATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
SIX-MONTH PERIOD ENDED JUNE 30, 2013**

	Program Services					Management and General	Development	Total
	Individual Rights Defense Program	Individual Rights Education Program	Campus Freedom Network	Policy Reform	Total Program Services			
Awards and Scholarships	\$ 22	\$ 17	\$ 12	\$ 29	\$ 80	\$ 10	\$ 11	\$ 101
Business Insurance	1,067	911	546	1,487	4,011	501	496	5,008
Communications	3,020	2,541	1,560	4,180	11,301	1,411	1,417	14,129
Computer and Network Costs	4,234	3,547	2,192	5,848	15,821	1,975	1,992	19,788
Depreciation	-	-	-	-	-	2,659	-	2,659
Dues and Subscriptions	433	370	222	604	1,629	204	201	2,034
Lectures and Conferences	671	571	344	934	2,520	315	313	3,148
Occupancy	15,509	13,216	7,949	21,597	58,271	7,275	7,221	72,767
Office Expenses	2,518	2,084	1,303	3,459	9,364	2,865	1,743	13,972
Postage and Delivery	2,986	2,487	1,552	4,113	11,138	1,391	1,410	13,939
Printing and Reproduction	7,970	6,808	4,079	11,112	29,969	3,742	3,705	37,416
Professional Fees	25,316	21,575	12,856	35,207	94,954	11,854	11,736	118,544
Publicity and Advertising	1,600	1,358	822	2,224	6,004	250	248	6,502
Research	1,301	1,112	666	1,814	4,893	-	-	4,893
Staff Training and Development	1,730	1,445	897	2,386	6,458	806	815	8,079
Taxes and Licenses	2	2	1	3	8	1	1	10
Travel and Entertainment	19,814	14,938	6,972	24,520	66,244	2,407	8,275	76,926
Wages, Payroll Taxes and Benefits	163,636	139,826	83,729	228,278	615,469	71,054	92,912	779,435
Total	\$ 251,829	\$ 212,808	\$ 125,702	\$ 347,795	\$ 938,134	\$ 108,720	\$ 132,496	\$ 1,179,350

See accompanying Notes to Financial Statements.

**FOUNDATION FOR INDIVIDUAL RIGHTS
IN EDUCATION, INC.
STATEMENT OF CASH FLOWS
SIX-MONTH PERIOD ENDED JUNE 30, 2013**

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in Net Assets	\$ 627,847
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities	
Depreciation	2,659
(Increase) Decrease in:	
Pledge Receivable	(444,620)
Prepaid Expenses	(10,107)
Increase (Decrease) in:	
Accounts Payable and Accrued Expenses	(18,960)
Deferred Rent	(6,664)
Net Cash Provided by Operating Activities	<u>150,155</u>
CASH FLOW FROM INVESTING ACTIVITIES	
Redemption of Certificate of Deposit	250,000
Website Design	(19,264)
Net Cash Provided by Investing Activities	<u>230,736</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	380,891
Cash and Cash Equivalents - Beginning of Year	<u>1,343,292</u>
CASH AND CASH EQUIVALENTS - END OF PERIOD	<u><u>\$ 1,724,183</u></u>

See accompanying Notes to Financial Statements.

**FOUNDATION FOR INDIVIDUAL RIGHTS
IN EDUCATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

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.

Change in Fiscal Year

Effective January 1, 2013, the Foundation changed from a calendar year end of December 31 to a fiscal year end of June 30. These financial statements are a six-month fiscal transition period of January 1, 2013 through June 30, 2013.

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, 2013, the Foundation had permanently restricted net assets of \$23,296.

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 restriction. At June 30, 2013, the Foundation had temporarily restricted net assets of \$1,207,120.

Unrestricted Net Assets

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

**FOUNDATION FOR INDIVIDUAL RIGHTS
IN EDUCATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Classification of Net Assets (Continued)

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.

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 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 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, 2013**

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 2010, 2011 and 2012 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 November 8, 2013, the date the financial statements were available to be issued.

NOTE 2 CONCENTRATION OF RISK

The Foundation maintains cash balances at a financial institution. The Federal Deposit Insurance Corporation insures balances up to \$250,000 at each institution for the year ended June 30, 2013. The Foundation's cash balances were approximately \$453,705 in excess of the insured amounts at June 30, 2013.

**FOUNDATION FOR INDIVIDUAL RIGHTS
IN EDUCATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

NOTE 2 CONCENTRATION OF RISK (CONTINUED)

The Foundation maintains cash and cash equivalent balances at a brokerage firm. The Securities Investor Protection Corporation (SPIC) insures balances up to \$500,000 at each brokerage house as of June 30, 2013. The Foundation's cash balances were approximately \$512,606 in excess of the insured amounts at June 30, 2013.

NOTE 3 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, 2013. 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	\$ 300,000
Receivable One to Three Years	150,000
Total Pledge Receivable	<u>450,000</u>
Less:	
Discount to Net Present Value	(5,380)
Net Pledge Receivable	<u><u>\$ 444,620</u></u>

NOTE 4 PROPERTY AND EQUIPMENT

Property and equipment as of June 30, 2013 is recorded at cost as follows:

Computer Equipment	\$ 46,339
Furniture and Fixtures	92,823
Leasehold Improvements	7,650
Website Design	19,263
Total	<u>\$ 166,075</u>
Less: Accumulated Depreciation	142,465
Total Equipment and Website Design	<u><u>\$ 23,610</u></u>

Depreciation expense for the six-month period ended June 30, 2013 was \$2,659.

**FOUNDATION FOR INDIVIDUAL RIGHTS
IN EDUCATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

NOTE 5 TEMPORARILY RESTRICTED

Temporarily restricted net assets are available for the following purposes as of June 30, 2013:

Video Fellow	\$ 20,000
iPhone Application	25,000
Legislative and Policy Project	97,500
Campus Free Speech Legal Restoration Project	1,054,620
Essay Contest	10,000
Total	<u><u>\$ 1,207,120</u></u>

Temporarily restricted net assets released from restrictions for the six-month period ended June 30, 2013 are as follows:

Spotlight Website Program	\$ 75,000
Legislative and Policy Project	32,500
Jackson Fellowship	61,800
Video Fellow	10,000
Public Policy Innovation Project	45,000
FIRE Internship Program	1,000
Campaign Freedom of the Press	5,000
2013 Video Initiative Matching Grant	15,000
Total	<u><u>\$ 245,300</u></u>

NOTE 6 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, 2013**

NOTE 7 OPERATING LEASES

The Foundation leases office space in Philadelphia under a 126 month lease. The lease commenced on September 1, 2005 and expires in 2016. Rent expense incurred under this lease for the six-month period ended June 30, 2013 was \$71,093.

Minimum future rental payments under non-cancelable operating lease having initial or remaining terms in excess of one year as of June 30, 2013 are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2014	\$ 154,978
2015	158,096
2016	<u>107,298</u>
Total	<u>\$ 420,372</u>

NOTE 8 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 \$2,000 per year per employee. The total pension expense for the six-month period ended June 30, 2013 was \$13,080.

NOTE 9 RELATED PARTY TRANSACTIONS

During the six-month period ended June 30, 2013, the Foundation paid \$834 to the Foundation's Vice President's wife, who performed various program and administrative functions. In addition, the Foundation paid \$3,325 during the six-month period ended June 30, 2013 to the Director of Legal and Public Advocacy's wife, who provided graphical design services the Foundation.