CENTER FOR NATIONAL INDEPENDENCE IN POLITICS

Financial Statements
With
Independent Auditors' Report

March 31, 2013

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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Center for National Independence in Politics
Helena, Montana

We have audited the accompanying financial statements of the Center for National Independence in Politics (CNIP) (a nonprofit organization) which comprise the statement of financial position as of March 31, 2013, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of CNIP as of March 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.

Rudd & Company, PLLC

Helena, Montana
April 9, 2014

CENTER FOR NATIONAL INDEPENDENCE IN POLITICS
Statement of Financial Position
As of March 31, 2013

Assets		
Current Assets		
Cash and cash equivalents	$	61,813
Warranty		34
Prepaid expenses		5,974
Total current assets		67,821
Property and Equipment		
Buildings, improvements and land		1,951,685
Land improvements		70,831
Furniture and equipment		210,464
Vehicles		45,824
Livestock		2,800
		2,281,604
Less: Accumulated depreciation		(869,624)
Property and Equipment (Net)		1,411,980
Investments		
Money market and mutual funds		1,467,876
Total Assets	$	2,947,677
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	$	721
Accrued liabilities		30,708
Total current liabilities		31,429
Net Assets		
Unrestricted		2,244,948
Temporarily restricted		215,349
Permanently restricted		455,951
Total net assets		2,916,248
Total Liabilities and Net Assets	$	2,947,677

The accompanying notes are an integral part of these financial statements

CENTER FOR NATIONAL INDEPENDENCE IN POLITICS
Statement of Activities and Changes in Net Assets
For the Year Ended March 31, 2013

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue and Support				
Grants	$ 107,000	$ -	$ -	$ 107,000
Contributions	935,800	-	-	935,800
Legacies and bequests	309,209	-	-	309,209
Interest and dividends	23,895	28,079	-	51,974
Application program interface	58,500	-	-	58,500
Miscellaneous	3,751	-	-	3,751
Realized loss on sale of assets	(8,977)	-	-	(8,977)
Unrealized gain on investments	5,397	13,630	-	19,027
Total Revenue and Support	1,434,575	41,709	-	1,476,284
Expenses				
Program services	1,178,828	-	-	1,178,828
Management and general	123,413	-	-	123,413
Fundraising	48,103	-	-	48,103
Total Expenses	1,350,344	-	-	1,350,344
Increase in Net Assets	84,231	41,709	-	125,940
Net Assets, beginning of year	2,160,717	173,640	455,951	2,790,308
Net Assets, end of year	$ 2,244,948	$ 215,349	$ 455,951	$ 2,916,248

The accompanying notes are an integral part of these financial statements

CENTER FOR NATIONAL INDEPENDENCE IN POLITICS
Statement of Cash Flows
For the Year Ended March 31, 2013

Cash Flows from Operating Activities		
Change in net assets	$	125,940
Adjustments to reconcile changes in net assets to cash from operating activities:		
Depreciation and amortization		77,908
Loss on disposal of assets		8,977
Unrealized gain on investments		(19,027)
(Increase) decrease in assets:		
Prepaid expenses		231
Increase (decrease) in liabilities:		
Accounts payable		721
Accrued liabilities		(5,947)
Net cash provided by operating activities		188,803
Cash Flows from Investing Activities:		
Purchase of securities		(284,758)
Purchase of fixed assets		(8,010)
Proceeds from sale of securities		3,685
Proceeds from sale of equipment		48,000
Net cash provided (used) by investing activities		(241,083)
Net increase in cash and cash equivalents		(52,280)
Cash and cash equivalents, beginning of year		114,093
Cash and cash equivalents, end of year	$	61,813

The accompanying notes are an integral part of these financial statements

CENTER FOR NATIONAL INDEPENDENCE IN POLITICS
Statement of Functional Expenses
For the Year Ended March 31, 2013

	Research	Outreach	Total Program Services	Administrative	Fundraising	Total
Advertising and marketing	$ -	$ 7,870	$ 7,870	$ 658	$ 68	$ 8,596
Bank charges	-	-	-	8,614	-	8,614
Credit card fees	-	-	-	1,722	-	1,722
Consultant fees	1,450	-	1,450	-	-	1,450
Contract labor	-	4,250	4,250	-	-	4,250
Corporate filing fees	-	-	-	70	-	70
Depreciation and amortization	30,845	39,282	70,127	5,098	2,683	77,908
Dues and subscriptions	-	13,650	13,650	119	-	13,769
Education and conferences	5,615	5,148	10,763	928	488	12,179
Food/lodging reimbursement	15,675	14,373	30,048	2,591	1,363	34,002
Livestock	557	511	1,068	92	48	1,208
General liability insurance	7,207	6,608	13,815	2,880	627	17,322
Miscellaneous	200	-	200	4,688	300	5,188
Office	5,038	4,619	9,657	833	438	10,928
Computer software/internet	6,928	6,352	13,280	1,145	603	15,028
Postage/printing/production	76,032	69,715	145,747	12,567	6,614	164,928
Professional fees	-	-	-	17,035	-	17,035
Telephone	9,103	8,347	17,450	1,505	792	19,747
Travel and entertainment	16,696	16,681	33,377	2,532	2,327	38,236
Utilities	19,347	17,740	37,087	3,198	1,683	41,968
Vehicle expense	1,649	1,512	3,161	273	143	3,577
Austin operational expenses	106,351	-	106,351	-	-	106,351
Payroll expense	296,443	271,814	568,257	49,000	25,786	643,043
Payroll taxes	22,990	21,080	44,070	3,800	1,999	49,869
Payroll expense-other	433	399	832	71	39	942
Employee benefits	24,163	22,155	46,318	3,994	2,102	52,414
	$ 646,722	$ 532,106	$ 1,178,828	$ 123,413	$ 48,103	$ 1,350,344

The accompanying notes are an integral part of these financial statements

1. Summary of Significant Accounting Policies

Organization

The Center for National Independence in Politics (CNIP), also known as Project Vote Smart or Vote Smart, is a non-profit organization that provides factual information about the political system, issues, candidates, and elected officials to private citizens. The Organization furnishes this information through the internet, publications, and telephone hotlines. Grants from private foundations and member contributions are its primary source of revenue. The Organization's main headquarters is located in Philipsburg, Montana, with a second location on the campus of the University of Texas, Austin.

Basis of Accounting

CNIP prepares its financial statements in accordance with generally accepted accounting principles, which involves the application of accrual accounting. Consequently, revenues and gains are recognized when earned, and expenses and losses are recognized when incurred

Basis of Presentation

CNIP's financial statement presentation follows the recommendations of the Financial Accounting Standards Board Accounting Standards Committee 958, *Not-for-Profit Entities: Presentation of Financial Statements.* Under FASB ASC 958, CNIP is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted net assets.

- *Unrestricted net assets* are assets that have no donor restrictions on their use and are available to be used by CNIP as necessary. Donor-restricted contributions whose restrictions are met within the same year they are received are reflected as unrestricted contributions in the accompanying financial statements.
- *Temporarily restricted net assets* are those whose use by CNIP has been limited by donors to a specific time period or purpose. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statement of activities as net assets released from restrictions.
- *Permanently restricted net assets* have been restricted by donors to be maintained by CNIP in perpetuity.

CNIP has implemented FASB ASC 958 requiring that unconditional promises to give (pledges) be recorded as receivables and revenues. FASB ASC 958 requires CNIP to distinguish between contributions received for each net asset category in accordance with donor imposed restrictions.

1. Summary of Significant Accounting Policies (continued)

Use of Estimates

The preparation of financial statements in conformity with 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.

Income Tax Status

The Center tor National Independence in Politics is a tax-exempt organization under the provisions of Section 501(c)(3) of the Internal Revenue Code and is not classified as a private foundation. The Organization has no unrelated business income subject to taxation. Therefore, there is no provision for income taxes. The determination of tax exempt status is considered to be a tax position with respect to the provisions of GAAP. The Organization’s policy is to evaluate the likelihood that its uncertain tax positions will prevail upon examination based on the extent to which those positions have substantial support within the Internal Revenue Code and Regulations, Revenue Rulings, court decisions, and other evidence. It is the opinion of management that the Agency has no uncertain tax positions that would be subject to recognition under these standards. The Organization files Form 990 in the U.S. federal jurisdiction. The Organization is generally no longer subject to examination by the Internal Revenue Service for years before 2010.

Property and Equipment

The Organization's policy is to capitalize property and equipment acquisitions in excess of $500 and the fair market value of donated fixed assets is similarly capitalized. Purchased property and equipment is capitalized at cost. Depreciation is provided over the estimated useful lives of the properties based on the straight-line method. The buildings and improvements are depreciated over 40 years, land improvements are depreciated over 20 years, and equipment and vehicles are depreciated over 3 to 7 years. Repairs, maintenance and acquisitions under $500 are expensed as incurred; major renewals and betterments are capitalized. When items of property or equipment are sold or retired, the related costs and accumulated depreciation are removed from the accounts and any gain or loss is included in current activity.

Donations of property and equipment are recorded as contributions at their estimated fair value. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as temporarily restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time.

1. Summary of Significant Accounting Policies (continued)

Cash and Cash Equivalents

For purposes of the statement of cash flows, CNIP considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

Compensated Absences

CNIP accrues a liability for earned but unused paid time off (PTO). An employee who terminates employment will be paid for the balance of PTO, up to the maximum accrual limit, at the current base rate of pay.

No vacation can be taken during the first six months of employment. Employees may accrue a maximum of three weeks (120 hours) of leave. When a full-time employee's accrued leave reaches the maximum 120 hours at any point, the employee will not accrue additional leave until he/she has reduced their annual leave below the maximum. All permanent full-time staff will begin to accrue paid time off (PTO) after six months of employment.

- For Staff Employed for More than 6 Months but Less Than 3 Years: Eligible staff will accrue up to ten paid days off work per year. In the first pay period following paid time off eligibility, staff will receive 5 hours of PTO. For the remainder of the year, 3 PTO hours will be accrued per pay period. In each subsequent year, 5 hours of PTO will be received during the first pay period of the calendar year and 3 hours of PTO each pay period thereafter.

- For Staff Employed for More Than 3 Years: All employees that have worked at Project Vote Smart for more than 3 years will be eligible to accrue up to fifteen paid days off work per year. In the first pay period following 3 years of employment, staff will receive 7.5 hours of PTO. For the remainder of the year, 4.5 hours PTO hours will be accrued per pay period. In each subsequent year, 7.5 hours of PTO will be received during the first pay period of the calendar year and 4.5 hours of PTO each pay period thereafter.

Donated Services

Donated services are recognized as contributions following the recommendations of the Financial Accounting Standards Board Codification 958, Not-for-Profit-Entities (ASC 958), donated services are recognized as contributions if the services either (a) create or enhance non-financial assets or (b) require specialized skills, which are performed by people with those skills, and would otherwise be purchased by the Organization.

During the year ended March 31, 2013, the value of donated services meeting the requirements for recognition in the financial statements was not material and has not been recorded. In addition, many individuals volunteer their time and perform a variety of tasks that assist the Organization, but these services do not meet the criteria for recognition as donated services.

1. Summary of Significant Accounting Policies (continued)

Contributions and Grants

Contributions and grants received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor or grantor restrictions. All contributions and grants are considered to be available for unrestricted use unless specifically restricted by the donor or grantor. Temporarily restricted assets whose restrictions are met in the same reporting period are recorded as unrestricted assets.

Advertising Costs

The Organization expenses all advertising costs as incurred. For the year ended March 31, 2013, the Organization reported total advertising costs of $8,596.

Functional Expenses

CNIP allocates expenses on a functional basis among program services, administrative, and fundraising. Direct expenses are charged to each category as appropriate. Any expenditure not directly charged is allocated pro-rata to program, administrative, and fundraising based on an allocation determined annually by management. The allocation is determined as a function of salary expense by department.

Subsequent Events

In preparing theses financial statements, CNIP has evaluated events and transaction for potential recognition or disclosure through April 9, 2014, which is the date the financial statements were available to be issued.

2. Temporarily Restricted Net Assets

Temporarily restricted net assets as of March 31, 2013 consist of the following:

Scholarship fund earnings available for operations	$	116,589
Legacy fund earnings available for operations		55,377
Facility Improvement fund		43,383
	$	215,349

3. Investments

CNIP accounts for investments under ASC 820, *Fair Value Measurements and Disclosures* (ASC 820), which provides a framework for measuring fair value under U.S. generally accepted accounting principles. ASC 820 defines fair value as the price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. ASC 820 requires that valuation techniques maximize the use of observable inputs and minimize the use of unobservable inputs. ASC 820 also establishes a fair value hierarchy, which prioritizes the valuation inputs into three broad levels:

Level 1 – Quoted prices in active markets for identical assets or liabilities

Level 2 – Observable inputs other than Level 1 prices, such as quoted prices for similar Assets or liabilities; quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities

Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities

Investments of CNIP are all considered Level 1 investments, and are carried at fair value and realized and unrealized gains and losses are reflected in the statement of activities.

Investment holdings as of March 31, 2013, include the following:

2013	**Cost**	**Fair Value (Level 1)**	**Cumulative Appreciation (Depreciation)**
Money market and mutual funds	$ 1,467,876	$ 1,467,876	-
Total fair market value	$ 1,467,876	$ 1,467,876	$ -

Investment income for the year ended March 31, 2013 is comprised of the following components:

Dividend income	$ 51,960
Interest income	14
Unrealized gains	19,027
Total	$ 71,001

4. Endowment Net Assets

As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

CNIP has interpreted the Montana Uniform Prudent Management of Institutional Funds Act ("MUPMIFA") 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, CNIP classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) any 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 and are appropriated for expenditure by CNIP in a manner consistent with the standard of prudence prescribed by MUPMIFA.

In accordance with MUPMIFA, CNIP 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 purpose of CNIP 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 CNIP, and
7. The investment policies of CNIP.

Endowment net asset composition by type of fund as of March 31, 2013, is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
March 31, 2013				
Scholarship Fund	$ -	$ 116,589	$ 326,218	$ 442,807
Legacy Fund	-	55,377	129,733	185,110
	$ -	$ 171,966	$ 455,951	$ 627,917

4. Endowment Net Assets (continued)

Spending Policy

CNIP's spending policy is documented in the Organizations investment policy and procedure manual. The policy states that the board of directors will calculate the income earned from all endowments and determine the amount of funds allocated to the next fiscal year. Restricted endowments shall accumulate capital gains and utilize interest and dividends in the operations, unless otherwise specified by the donor. Unrestricted endowment spending is determined by the board of directors annually.

Changes in net asset composition by type of fund for the year ended March 31, 2013 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, March 31, 2012	$ -	$ 133,363	$ 455,951	$ 589,314
Investment return:				
Investment income	-	13,009	-	13,009
Net appreciation	-	25,594	-	25,594
Total investment return	-	38,603	-	38,603
Contributions	-	-	-	-
Appropriation for expenditure	-	-	-	-
Endowment net assets, March 31, 2013	$ -	$ 171,966	$ 455,951	$ 627,917

5. Related Party Transaction

The Organization owns cabins on the Montana property which are used by various interns and volunteers. The Organization requires the executive director to reside in a home owned by the Organization when he is in Montana to properly supervise the interns and volunteers. Approximately half the residence is used to house member volunteers as well. Since the executive director is required to live in the home on the Montana property as a condition of employment and for the convenience of the Organization, he is not charged any rent and there is no compensation to him as a result of the arrangement.

6. Revocable Trust

CNIP is a beneficiary of the Samuel and Florence Scarlett Revocable Trust. CNIP received a distribution from the trust in the amount of $222,222 during the fiscal year ended March 31, 2013. Future distributions are not guaranteed and therefore no receivable has been recorded.

7. Accrued Liabilities

Accrued liabilities consist of the following:

Credit cards payable	$	5,640
Accrued wages		11,754
Accrued paid time off		5,975
Accrued payroll taxes		7,339
Total	$	30,708

8. Concentrations of Credit Risk

Cash and Cash Equivalents

CNIP maintains cash balances at Wells Fargo in Bozeman, Montana and that account is insured by the Federal Deposit Insurance Corporation up to $250,000. CNIP also maintains Investment Accounts with bank deposit sweep accounts with Wells Fargo in Corvallis, Oregon where the deposits are insured up to $250,000 each. All monies on deposit in CNIP’s money market accounts are on deposit with financial institutions such that no one financial institution has more than $250,000, therefore avoiding any instances of uninsured balances at March 31, 2013.