

ProCon.org
(A NONPROFIT PUBLIC CHARITY CORPORATION)
Financial Statements
December 31, 2018 and 2017

PROCON.ORG
TABLE OF CONTENTS
December 31, 2018 and 2017

	PAGE NUMBER
INDEPENDENT AUDITOR'S REPORT	1
STATEMENTS OF FINANCIAL POSITION	2
STATEMENTS OF ACTIVITIES	3
STATEMENTS OF FUNCTIONAL EXPENSES	4
STATEMENTS OF CASH FLOWS	5
NOTES TO FINANCIAL STATEMENTS	6 - 10

Daniel R. Moore
Certified Public Accountant
10414 Olive St. Temple City, CA 91780
Telephone 626-242-8345

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Procon.org

I have audited the accompanying financial statements of ProCon.org (a nonprofit corporation), which comprise the statements of financial position as of December 31, 2018 and 2017, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audits. I conducted my audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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, I 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.

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

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of ProCon.org as of December 31, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

As discussed in Note 2 to the financial statements ProCon.org adopted the provisions of FASB Accounting Standards Update ASU) 2016-14, presentation of financial statements of Not-For-Profit Entities. Our opinion is not modified with respect to this matter.

A handwritten signature in blue ink that reads "James K. Moore". The signature is written in a cursive style with a large initial "J" and "M".

March 29, 2019

PROCON.ORG
STATEMENTS OF FINANCIAL POSITION

<u>ASSETS</u>	December 31,	
	2018	2017
Current assets:		
Cash	\$ 27,850	\$ 115,772
Cash with donor restrictions	62,058	371,203
Accounts receivable	10,317	200
Inventory	4,500	6,000
Prepaid expenses	6,983	7,117
Donated goods for sale	50,000	-
Total current assets	161,708	500,292
Other assets:		
Website costs in progress	35,520	28,797
Total other assets	35,520	28,797
Total assets	\$ 197,228	\$ 529,089

LIABILITIES AND NET ASSETS

Current liabilities:		
Accounts payable	\$ 16,328	\$ 14,687
Wages and related expenses payable	10,087	10,357
Total current liabilities / Total liabilities	26,415	25,044
Net assets:		
Without donor restrictions	108,755	132,514
With donor restrictions	62,058	371,531
Total net assets	170,813	504,045
Total liabilities and net assets	\$ 197,228	\$ 529,089

The accompanying notes are an integral part of these financial statements.

PROCON.ORG
STATEMENTS OF ACTIVITIES

	Year Ended December 31, 2018			Year Ended December 31, 2017		
	Without Donor	With Donors	Total	Without Donor	With Donors	Total
	Restrictions	Restrictions		Restrictions	Restrictions	
Support and revenue:						
Contributions	\$ 178,870	\$ 122,500	\$ 301,370	\$ 416,292	\$ 414,000	\$ 830,292
Fees	28,337	-	28,337	10,550	-	10,550
Total cash contributions	207,207	122,500	329,707	426,842	414,000	840,842
Contributed facilities	109,967	-	109,967	89,175	-	89,175
Contributed services	22,758	-	22,758	11,765	-	11,765
Contributed advertising	113,071	-	113,071	121,655	-	121,655
Contributed items	50,000	-	50,000	-	-	-
Total in-kind contributions	295,796	-	295,796	222,595	-	222,595
Total contributions	503,003	122,500	625,503	649,437	414,000	1,063,437
Net assets released due to						
satisfaction of restrictions	431,973	(431,973)	-	48,078	(48,078)	-
Total support and revenue	934,976	(309,473)	625,503	697,515	365,922	1,063,437
Expenses:						
Program services	849,892	-	849,892	761,319	-	761,319
Supporting activities:						
Management & general	39,065	-	39,065	55,970	-	55,970
Fundraising	69,778	-	69,778	76,347	-	76,347
Total Expenses	958,735	-	958,735	893,636	-	893,636
Change in net assets	(23,759)	(309,473)	(333,232)	(196,121)	365,922	169,801
Net assets at beginning of year	132,514	371,531	504,045	328,635	5,609	334,244
Net assets at end of year	<u>\$ 108,755</u>	<u>\$ 62,058</u>	<u>\$ 170,813</u>	<u>\$ 132,514</u>	<u>\$ 371,531</u>	<u>\$ 504,045</u>

The accompanying notes are an integral part of these financial statements.

PROCON.ORG
STATEMENTS OF FUNCTIONAL EXPENSES

	Year Ended December 31, 2018				Year Ended December 31, 2017			
	Program Service	Management & General	Fund- Raising	Total Expenses	Program Service	Management & General	Fund- Raising	Total Expenses
Wages	\$ 376,298	\$ 6,847	\$ 39,662	\$ 422,807	\$ 376,966	\$ 4,236	\$ 42,355	\$ 423,557
Employee benefits	37,791	425	4,246	42,462	34,609	389	3,888	38,886
Payroll taxes	30,262	340	3,400	34,002	29,458	331	3,310	33,099
Insurance	6,799	76	764	7,639	6,603	74	742	7,419
Worker's compensation insurance	2,205	25	247	2,477	2,422	27	272	2,721
Parking	9,400	106	1,056	10,562	9,000	101	1,011	10,112
Professional fees	108,460	29,508	6,810	144,778	46,648	37,304	11,709	95,661
Contributed facilities	97,871	1,100	10,996	109,967	79,366	892	8,917	89,175
Contributed services	10,763	-	-	10,763	-	11,765	-	11,765
Contributed advertising	113,071	-	-	113,071	121,655	-	-	121,655
Contributed DVDs distributed	1,500	-	-	1,500	3,510	-	-	3,510
Contributed catering	11,995	-	-	11,995	-	-	-	-
Depreciation	-	-	-	-	717	8	81	806
Telephone	-	-	-	-	2,479	28	278	2,785
Postage	-	77	-	77	-	319	-	319
Advertising & promotion	2,541	-	-	2,541	9,096	286	-	9,382
Transportation & lodging	-	-	-	-	700	-	-	700
Meals & entertainment	1,327	440	444	2,211	3,180	42	417	3,639
Auto fuel & mileage	453	5	51	509	-	-	-	-
Computer & website	19,932	-	-	19,932	24,247	-	-	24,247
Office supplies	1,318	-	30	1,348	1,379	15	155	1,549
Dues & memberships	-	-	-	-	279	-	-	279
Event & conferences	17,906	-	-	17,906	8,606	-	-	8,606
Books & research access	-	-	-	-	399	-	-	399
Taxes & licenses	-	116	-	116	-	153	-	153
Bank charges & merchant fees	-	-	2,072	2,072	-	-	3,212	3,212
Total expenses	\$ 849,892	\$ 39,065	\$ 69,778	\$ 958,735	\$ 761,319	\$ 55,970	\$ 76,347	\$ 893,636

The accompanying notes are an integral part of these financial statements.

PROCON.ORG
STATEMENTS OF CASH FLOWS

	Years Ended December 31,	
	2018	2017
Cash flows from operating activities:		
Change in net assets	\$ (333,232)	\$ 169,801
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation expense	-	806
(Increase) decrease in:		
Donations receivable	-	1,833
Accounts receivable	(10,117)	-
Inventory	1,500	3,510
Donated goods for sale	(50,000)	-
Prepaid expenses	134	1,825
Increase (decrease) in:		
Accounts payable	1,641	10,154
Wages and related expenses payable	(270)	(2,672)
Net cash provided (used) by operating activities	(390,344)	185,257
Cash flows from investing activities:		
Purchase of web site contraction progress	(6,723)	(28,797)
Net cash used by investing activities	(6,723)	(28,797)
Net increase (decrease) in cash	(397,067)	156,460
Cash at beginning of year	486,975	330,030
Cash at end of year	\$ 89,908	\$ 486,975
Supplemental disclosures		
Donated goods not providing cash	\$ 50,000	\$ -
Cash consists of:		
Available for operations	\$ 27,823	\$ 115,772
With donor restrictions	62,058	371,203
Total cash	\$ 89,881	\$ 486,975

The accompanying notes are an integral part of these financial statements.

PROCON.ORG

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2018 AND 2017

1. NATURE OF ORGANIZATION

ProCon.org is a nonprofit organization incorporated in California to promote critical thinking, education, and informed citizenship by presenting controversial issues in a straightforward, nonpartisan primarily pro-con format.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

ProCon.org uses accrual basis accounting.

Cash

Cash is cash in a bank checking account and a PayPal account.

Tax status

Procon.org is exempt from income tax under Internal Revenue Code Section 501(c)(3). In addition, Procon.org qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an Organization that is not a private foundation under Section 509(a)(2). ProCon.org is also exempt from state income tax under section 23701d of the California Revenue and Taxation Code.

Contributions, restricted contributions, reclassifications and revenue.

Contributions are recognized when the donor makes a promise to give that is, in substance, unconditional. When a restriction is satisfied, temporarily restricted net assets are reclassified to unrestricted net assets. Revenue is recognized when all performance obligations are satisfied.

Contributed services, facilities and advertising

During the years ended December 31, 2018 and 2017 contributed facilities in the value of \$109,967 and \$89,175 respectively were donated to ProCon.org. During the same years, contributed advertising in the value of \$113,071 and \$121,655 respectively was also donated to ProCon.org. In the year ended December 31, 2018 \$10,763 of contributed services were provided that created a strategic plan. Finally, contributed catering services were provided with a value of \$11,995.

Contributed accounting services in the value of \$11,765 for the year ended December 31, 2017 donated to ProCon.org.

Use of estimates

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

PROCON.ORG
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

Classes of net assets

Net assets without donor restrictions include amounts available to be used at the discretion of the board of directors in programs and operations and those resources invested in equipment. Net assets with donor restrictions are those that are temporarily restricted by donors for specific operating purposes. All donations are considered available for unrestricted use, unless specifically restricted by the donor.

Web site costs

Procon.org is reworking the program that runs the web site into another format. The relate costs, which are capitalized, will be amortized once the rework is completed.

Income taxes

The federal and state tax returns of ProCon.org for the years ended December 31, 2018, 2017 and 2016 are subject to examination by the Internal Revenue Service, generally for three years after they are filed. In addition, the December 31, 2015 tax return is subject to examination by the state of California until four years after the date it was filed.

Functional allocation of expenses

The cost of program and supporting services activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the program and supporting services benefits on estimates of time and effort.

Fees

Fees are earned from providing usage rights to copyrighted ProCon.org materials. Additionally, ProCon.org provided consulting services to other organizations involved in pro-con type educational events. Customers are billed when the right of use is provided or the consulting work is completed.

Advertising

Advertising is expensed as incurred. For the years ended December 31, 2018 and December 31, 2017, \$2,541 and \$9,382 respectively of advertising was charged to expense.

Adoption of FASB accounting standards update 2016-14

ProCon.org has adopted the provisions of FASB Accounting Standards Update (ASU) 2016-14, presentation of financial statements of Not-For-Profit Entities. Accordingly, the accompanying financial statements and related notes follow the net asset classification, presentation, and disclosure requirements prescribed by this ASU.

PROCON.ORG
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

3. ACCOUNTS RECEIVABLE

Accounts receivable of \$10,317 for the year ended December 31, 2018 represent amounts for various program related services and fees carried at invoiced amount. No allowance for uncollectible amounts has been recorded as management expects all amounts to be collected.

4. INVENTORY

At December 31, 2018 and 2017 inventory consisted of 300 and 400 copies of donated DVDs valued at \$15 each respectively with estimated values of \$4,500 and \$6,000 respectively. The DVD's are valued at estimated fair market value at date of donation. The DVD is titled *Best of Enemies* and is used for promotional and fundraising purposes.

5. DONATED GOODS

Donated goods, of \$50,000, consist of four diamonds ranging in size from .27 carats to 9.51 carats recorded at estimated fair market value. These are held for resale.

6. PENSION PLAN

ProCon.org has a defined contribution plan. The required contribution to the plan is 2% of eligible employee compensation. For the years ended December 31, 2018 and 2017, total expense related to the plan was \$8,533 and \$8,124 respectively. The plan also allows for a 2% voluntary contribution from employees.

7. NET ASSETS

For the years ended December 31 net assets consist of:

<u>Type of net asset</u>	<u>2018</u>	<u>2017</u>
Unrestricted	\$108,755	\$132,514
Net assets with temporary restrictions:		
Website rework	41,907	21,531
Restricted for year 2018	---	350,000
Public debate programs	<u>20,151</u>	<u>---</u>
Total net assets with temporary restrictions	<u>62,058</u>	<u>371,531</u>
Total net assets	<u>\$170,813</u>	<u>\$504,045</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or other events specified by the donors as follows for the years ended December 31:

<u>Program</u>	<u>2018</u>	<u>2017</u>
Website rework	\$ 52,124	\$ 34,078
Public debate programs	29,849	14,000
Restricted for year 2018	<u>350,000</u>	<u>----</u>
Total	<u>\$431,973</u>	<u>\$48,078</u>

PROCON.ORG
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

8. FAIR VALUE MEASUREMENTS

Assets and liabilities subject to fair value reporting are classified based on the type of inputs used to value the asset or liability. The three types are: valuations based on quoted market prices for identical assets exchanged in active markets (quoted prices), valuation inputs that are directly or indirectly observable in a market place (other market valuations), and inputs where there is no observable market place and therefore valuations are derived from the organization's internal information (non – market valuations). Valuations based on the three types of inputs for the year ended December 31, 2018 are:

<u>Description</u>	<u>Quoted Prices</u>	<u>Other Market Valuations</u>	<u>Non – Market Valuations</u>
Donated goods	\$ ----	<u>\$50,000</u>	\$ ----
Total	<u>\$ ----</u>	<u>\$50,000</u>	<u>\$ ----</u>

9. CONCENTRATIONS

ProCon.org is supported primarily by donor contributions. During 2018 and 2017 approximately 12% and 32% respectively of ProCon.org's cash support was provided by a private foundation controlled by the founder of ProCon.org. In 2017 this founder provided 42% of cash support. In 2018 one private foundation provided 12% of total cash contributions. All contributed facilities were received from a corporation controlled by the founder of ProCon.org in 2018. All contributed facilities and services were received from a corporation controlled by the founder of ProCon.org in 2017. In 2018 and 2017 one unrelated corporation donated 100% of the contributed advertising. A substantial portion of income comes from donors in California.

ProCon.org maintains cash in a bank located in Southern California. The deposits are insured by the Federal Deposit Insurance Corporation up to \$250,000. At December 31, 2017, the amount in excess of insured limits based on actual bank balances were \$184,410. There were no uninsured amounts at December 31, 2018 however amounts did exceed insured limits at times during the year.

10. LIQUIDITY AND AVAILABILITY

Financial assets are considered to be available for general expenditure if there are no donor or other restrictions that would preclude use for general expenditures. At December 31, 2018 financial assets available for general expenditure within one year are comprised of the following:

Cash	\$89,908
Accounts receivable	<u>10,300</u>
Total financial assets	100,208
Less: temporarily restricted net assets at year end	<u>(62,058)</u>
Total liquid assets available for general expenditures	<u>\$38,150</u>

To manage liquid assets ProCon.org establishes an annual budget that plans to not spend any reserves. This maintains cash balance sufficient to provide cash for all general expenditures for the year.

PROCON.ORG
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

11. EVALUATION OF SUBSEQUENT EVENTS

ProCon.org has evaluated subsequent events through March 29, 2019, the date which the financial statements were available to be issued, and there was one subsequent event to report. The diamonds mentioned in Note 5 were sold for \$55,000.