

U S

FINANCIAL STATEMENTS
for the year ended December 31, 2018



RASMUSSEN, TELLER, O'NEIL & CHRISTMAN

CERTIFIED PUBLIC ACCOUNTANTS & BUSINESS ADVISORS

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RASMUSSEN, TELLER, O'NEIL & CHRISTMAN

CERTIFIED PUBLIC ACCOUNTANTS & BUSINESS ADVISORS

June 6, 2019

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of

U S:

We have audited the accompanying financial statements of U S (a nonprofit corporation), which comprise the statement of financial position as of December 31, 2018, 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

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.

U S
June 6, 2019

Opinion

In our opinion, the financial statements referred to on page 1 present fairly, in all material respects, the financial position of U S as of December 31, 2018, 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.

Rasmussen, Teller, O'Neil & Christman, P.C.

U S
STATEMENT OF FINANCIAL POSITION
December 31, 2018

ASSETS

CURRENT ASSETS:	
Cash	\$ 765,118
Certificates of deposit	1,072,748
Inventory	16,364
Prepaid expenses	<u>17,873</u>
Total current assets	1,872,103
FURNITURE AND EQUIPMENT	
Less accumulated depreciation	<u>133,528</u>
Total furniture and equipment	11,119
OTHER ASSET,	
Emergency fund	<u>100,000</u>
Total assets	<u><u>\$ 1,983,222</u></u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:	
Accounts payable	\$ 44,022
Accrued compensation	<u>29,519</u>
Total current liabilities	73,541
NET ASSETS:	
Without donor restrictions	1,865,897
With donor restrictions, purpose restricted	<u>43,784</u>
Total net assets	<u>1,909,681</u>
Total liabilities and net assets	<u><u>\$ 1,983,222</u></u>

The accompanying notes are a part of the financial statements.

U S
STATEMENT OF ACTIVITIES
for the year ended December 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Combined
REVENUES AND SUPPORT:			
Contributions	\$ 2,169,744	\$ -	\$ 2,169,744
Investment income	14,305	-	14,305
Other income	78,422	-	78,422
Net assets released from restrictions in satisfaction of program restrictions	4,948	(4,948)	-
Total revenues and support	2,267,419	(4,948)	2,262,471
EXPENSES:			
Program services, including research, education, and lobbying	1,811,906	-	1,811,906
Management and general	263,112	-	263,112
Fundraising	140,031	-	140,031
Total expenses	2,215,049	-	2,215,049
Change in net assets	52,370	(4,948)	47,422
NET ASSETS, BEGINNING OF YEAR	1,812,567	49,692	1,862,259
Correction to reclassify 2017 expenditure of restricted net assets to proper net asset classification	960	(960)	-
NET ASSETS, BEGINNING OF YEAR, Corrected	1,813,527	48,732	1,862,259
NET ASSETS, END OF YEAR	\$ 1,865,897	\$ 43,784	\$ 1,909,681

The accompanying notes are a part of the financial statements.

U S
STATEMENT OF FUNCTIONAL EXPENSES
for the year ended December 31, 2018

	<u>Program Services</u>				Total Expenses
	Research and Education	Lobbying	Management and General	Fundraising	
Grants	\$ 335,000	\$ -	\$ -	\$ -	\$ 335,000
Cost of sales including royalties	13,582	-	-	2,180	15,762
Salaries and wages	325,131	39,623	104,906	33,369	503,029
Payroll taxes and employee benefits	45,663	4,848	13,419	5,611	69,541
Research and writing fees	263,255	-	-	-	263,255
Professional and other fees	112,174	-	62,536	5,418	180,128
Direct mail costs	-	66,138	-	80,301	146,439
Media costs	82,240	-	-	-	82,240
Advertising	18,309	-	196	147	18,652
Occupancy	84,932	-	14,791	-	99,723
Office supplies	1,393	-	7,162	-	8,555
Telephone	-	-	7,912	-	7,912
Postage	9,940	-	5,182	50	15,172
Travel and education	59,512	-	11,400	-	70,912
State registration fees	-	-	-	10,356	10,356
Dues and subscriptions	17,260	-	1,314	-	18,574
Printing and publishing	332,551	-	610	1,359	334,520
Depreciation	-	-	3,830	-	3,830
Insurance	266	-	1,847	-	2,113
Miscellaneous	89	-	28,007	1,240	29,336
Total expenses	<u>\$ 1,701,297</u>	<u>\$ 110,609</u>	<u>\$ 263,112</u>	<u>\$ 140,031</u>	<u>\$ 2,215,049</u>

The accompanying notes are a part of the financial statements.

U S
STATEMENT OF CASH FLOWS
for the year ended December 31, 2018

OPERATING ACTIVITIES:	
Change in net assets	\$ 47,422
Adjustments to reconcile the increase in net assets to net cash provided by operating activities:	
Depreciation	3,830
Stock donation	(7,208)
Changes in assets and liabilities:	
Inventory	(6,753)
Prepaid expenses	(62)
Accounts payable	(25,049)
Accrued compensation	4,696
	<hr/>
Net cash provided by operating activities	16,876
INVESTING ACTIVITIES:	
Certificate of deposit maturities	1,413,048
Certificate of deposit purchases	(1,603,960)
Proceeds from sales of stock	13,872
Purchase of furniture and equipment	(1,557)
	<hr/>
Net cash used in investing activities	(178,597)
CHANGE IN CASH AND CASH EQUIVALENTS	<hr/> (161,721)
CASH, BEGINNING OF YEAR	<hr/> 926,839
CASH, END OF YEAR	<hr/> <u>\$ 765,118</u>

The accompanying notes are a part of the financial statements.

U S
NOTES TO FINANCIAL STATEMENTS
for the year ended December 31, 2018

US (the "Organization") was incorporated during 1981 and began operations during 1983. The Organization was formed for charitable, religious, educational, and scientific purposes. It relies primarily on contributions, both unrestricted and donor restricted, to finance its programs. The programs are public interest projects with a variety of purposes, including immigration research and reform, language policies, and conservation of natural resources.

The Organization's two major projects are ProEnglish and Mackinac Straits Raptor Watch. ProEnglish is working to preserve our nation's linguistic unity by promoting the use of English and establishing English as the official language for all levels of government. Mackinac Straits Raptor Watch conducts studies for scientific and educational purposes the migration of hawks and owls through Michigan's Straits of Mackinac region.

Administrative and fund raising costs are identified and reported separately from program costs.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The Organization uses the accrual basis of accounting whereby revenue is recognized when earned and expenses are recognized when liabilities are incurred. Under this policy, contributions received, as well as any unconditional commitment of future contributions, are recorded as revenue and an increase in net assets upon receipt of the contribution or commitment. If terms of any commitment extend beyond a year, the commitment is recorded at its present value.

Donations received with donor restrictions as to purpose are recorded as net assets with donor restrictions. If restricted donations are expended for their designated purposes during the year in which they are received, such donations are recorded as contributions without donor restrictions and the related expenses are recorded as expenses of funds without donor restrictions. Any unexpended restricted contributions at year end are recognized as net assets with donor restrictions.

Other significant accounting policies are described in the following paragraphs.

Fund accounting: To insure compliance with donor restrictions, the Organization employs fund accounting. This is a system whereby resources restricted for specific projects are classified for accounting purposes into separate funds, each with separate accounts. However, the basic financial statements on pages three through six present the combined totals of all funds, with all inter-fund transactions eliminated.

Financial instruments: Financial instruments, such as cash, certificates of deposit, accounts receivable, accounts payable and accrued expenses, are carried at their historical amounts in the financial statements. The amounts approximate fair value of such instruments due to their short maturity. Fair value is a valuation concept that embodies market values and current interest rates.

Cash and certificates of deposit: The Organization holds cash in checking accounts, money market accounts, and various certificates of deposit. All certificates of deposit, including those allocated to the emergency fund, have maturity dates within one year of December 31, 2018. Those certificates not allocated to the emergency fund are classified as current assets.

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NOTES TO FINANCIAL STATEMENTS
for the year ended December 31, 2018

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

For purposes of the cash flow statement, all purchases and maturities of certificates of deposit are recorded as investment activities.

For risk management purposes, the Organization's cash and certificates of deposit have been placed with a number of high quality banks and financial institutions.

Inventory: Inventory consists of books and pamphlets. It is stated at the lower of cost or market, with cost determined under the first-in, first-out method.

Furniture and equipment: Furniture and equipment are stated at cost. The cost of these assets is capitalized upon acquisition when use is expected to exceed one year and the cost exceeds \$100.

Furniture and equipment are being depreciated over their estimated useful lives under the straight-line method. Depreciation expense for 2018 was \$3,830.

Estimates: Preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that may affect certain amounts and disclosures reported in the financial statements. Actual results may differ from these estimates, but management is not aware of any estimates in which actual results may differ substantially from the estimates.

Compensated absences: The organization's employees earn hours of vacation pay at various rates depending on length of employment. Each employee may carryover from year-to-year up to one year of their accrued vacation. At year end an accrual is recorded for any unused vacation that complies with this limitation.

Major maintenance costs: The Organization's policy is to expense maintenance costs when incurred, including any maintenance costs that might be considered major. During 2018 there were no maintenance expenses that management considered to be major maintenance expenses.

Renaming of Net Asset Opening Balances: Accounting standards which became effective for the 2018 financial statements, require Not-for-Profit entities to change the names assigned to various classes of net assets. The new standards eliminated the unrestricted, temporarily restricted, and permanently restricted net asset terms replacing them with net assets without donor restrictions and net assets with donor restrictions, including program restrictions and endowment funds. As a result, unrestricted net assets of \$1,813,527 as of December 31, 2017 were renamed net assets without donor restrictions and temporarily restricted net assets of \$48,732 as of December 31, 2017 were renamed net assets with donor restrictions. The Organization had no permanently restricted net assets as of December 31, 2017.

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NOTES TO FINANCIAL STATEMENTS
for the year ended December 31, 2018

NOTE B – CONCENTRATION OF CREDIT RISK:

Cash and certificates of deposit are on deposit in a diverse number of banks and financial institutions each with a solid financial reputation that minimizes credit risk.

Cash and certificates of deposit in the aggregate amount of \$1,121,519 are insured by FDIC or SIPC. The balance, \$816,347, is not covered by such insurance.

NOTE C – EMERGENCY FUND:

The Emergency Fund has been established by the Board as a general reserve for emergencies for which other resources would not be available. It can be used at the discretion of the Board. At December 31, 2018 the Fund was stated at its maximum amount. It is invested in certificates of deposit.

NOTE D – NET ASSETS WITH DONOR RESTRICTIONS:

At December 31, 2018 net assets with donor restrictions are as follows:

Mackinac Straits Raptor Watch	\$ 35,201
Environmental projects	2,258
Outdoor lighting conservation	1,325
The Garrett Hardin web site	<u>5,000</u>
Total	<u><u>\$ 43,784</u></u>

NOTE E – RENT:

The Organization rents office space in Petoskey, Michigan and Washington, D.C. The Petoskey office is rented under terms of a month-to-month agreement. The D.C. office is rented under terms of a two-year lease expiring July 31, 2019; it contains provisions for an annual inflationary rent adjustment and an automatic renewal provision for additional two-year periods at the then current rental rates.

Annual rentals under these two rental arrangements aggregated \$90,418 during 2018. Petoskey's annual rental was \$32,496; D.C.'s annual rental was \$57,922 including some special amenities. The future minimum lease payments under the D.C. lease for the year ended December 31, 2019 are \$32,496. In addition, the D.C. lease required the Organization to pay a security deposit of \$6,234 at its 2015 inception.

The Organization also leased other real estate and equipment under terms of short-term leases during 2018 at a total cost of \$5,567.

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NOTES TO FINANCIAL STATEMENTS
for the year ended December 31, 2018

NOTE F – FEDERAL INCOME TAX:

The Organization has been determined by the Internal Revenue Service to be exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. Accordingly, contributions to the Organization are deductible for federal income tax purposes.

The Organization annually files a Form 990, Return of Organization Exempt from Income Tax, with the Internal Revenue Service. These returns generally remain subject to examination by the Service for a period of three years after filing. Accordingly, returns for the years 2015 through 2017 are subject to examination.

NOTE G – RETIREMENT PLAN:

The Organization has a defined contribution retirement plan under a tax-sheltered annuity program. All full time and qualified part time employees are eligible to participate in the plan. The Organization contributes between five and seven and one-half percent of the employees' compensation to the plan for those who elect to contribute at least 2 percent of their gross pay to the plan. Plan cost for 2018 was \$25,468.

NOTE H – MAJOR DONORS:

Each year the Organization solicits funds from the general public, including foundations and other philanthropic organizations. During 2018, one foundation accounted for approximately 69.1 percent of the Organization's contribution revenue.

NOTE I – FUNCTIONAL EXPENSES:

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salary and wages, payroll taxes and employee benefits, other fees including professional fees, occupancy, office supplies, postage, travel and education, direct mail and media costs, dues and subscriptions, printing and publishing, advertising, and miscellaneous expenses, all of which are allocated on the basis of estimates of time and effort or other reasonable bases. Note K further explains the allocation of printing and publishing expenses.

NOTE J - PROGRAM SERVICE EXPENSES:

Program service expenses associated with the Organization's major program identified elsewhere in the footnotes and with short-term public interest projects during 2018 were:

ProEnglish	\$ 670,680
Other public interest projects	<u>1,141,226</u>
	<u>\$ 1,811,906</u>

The major costs associated with the other public interest projects include the cost of sponsoring an annual conference, publication expenses, fees for research and reports on areas of ecological and social concern, personnel costs, and grants for projects administered by other organizations.

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NOTES TO FINANCIAL STATEMENTS
for the year ended December 31, 2018

NOTE K – ALLOCATION OF JOINT COSTS:

During 2018, the Organization incurred joint costs of \$456,013 in printing and distributing various publications to its members and others. The publications included both educational material and fund raising appeals. Their total costs were allocated based on the relative space devoted to each topic, with \$374,029 allocated to program services expense and \$81,984 to fund raising expense.

NOTE L – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS:

The following reflects the Organization's financial assets as of the statement of financial position date, reduced by amounts not available for general use within one year of the statement of financial position date:

Financial assets at year-end	\$ 1,937,866
Less unavailable for general expenditure within one year due to donor restriction for specific purpose	<u>(43,784)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,981,650</u>

General expenditures include management and general expenses, fundraising expenses, and some program expenses.

The Organization invests cash in certificates of deposit and a money market account as part of liquidity management.

NOTE M – SUBSEQUENT EVENTS:

Subsequent events were evaluated through June 6, 2019, the date this report became available for publication.

On January 1, 2019 the Mackinac Straits Raptor Watch separated from the Organization and became a separate entity. Accordingly, assets of \$35,201 and net assets with donor restrictions of the same amount were removed from the Organization's books as of that date.

On March 19, 2019 the name of the Organization was changed to US Incorporated.