

# Institute for Public Relations

Financial Statements  
And  
Independent Auditors' Report

December 31, 2012 and 2011

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# Kattell and Company, P.L.

*Serving the Nonprofit Community*

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors,  
Institute for Public Relations

### Report on the Financial Statements

We have audited the accompanying financial statements of the Institute for Public Relations, which comprise the statements of financial position as of December 31, 2012 and 2011, and the related statements of activities, functional expenses, and cash flows for the years 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 the Institute for Public Relations as of December 31, 2012 and 2011, 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 Matter.** As discussed in Note 1 to the financial statements, the Institute for Public Relations shifted its programmatic emphasis more toward research in 2011, a change that continued in 2012. In a related matter, in 2011, the Institute contributed the net assets attributable to one of the Institute's programs to a new educational organization established to conduct the program. Our opinion is not modified with respect to these matters.

*Kattell and Company, P.L.*

April 3, 2013  
Gainesville, Florida

*"Not everything that counts can be counted, and not everything that can be counted counts."*

- Albert Einstein

**Statements of Financial Position**  
**December 31, 2012 and 2011**  
**Institute for Public Relations**

	<u>2012</u>	<u>2011</u>
<b>Assets</b>		
Cash	\$ 326,907	\$ 154,254
Contributions Receivable	67,500	65,526
Fixed Assets:		
Office Equipment	1,347	15,479
Less: Accumulated Depreciation	<u>(806)</u>	<u>(14,669)</u>
Net Fixed Assets	<u>541</u>	<u>810</u>
<b>Total Assets</b>	<b><u>\$ 394,948</u></b>	<b><u>\$ 220,590</u></b>
<b>Liabilities and Net Assets</b>		
Liabilities:		
Accounts Payable and Accrued Expenses	\$ 15,389	\$ 1,399
Deferred Revenue	<u>5,000</u>	<u>--</u>
<b>Total Liabilities</b>	<b><u>20,389</u></b>	<b><u>1,399</u></b>
Net Assets:		
Temporarily Restricted	14,000	22,250
Unrestricted	<u>360,559</u>	<u>196,941</u>
<b>Total Net Assets</b>	<b><u>374,559</u></b>	<b><u>219,191</u></b>
<b>Total Liabilities and Net Assets</b>	<b><u>\$ 394,948</u></b>	<b><u>\$ 220,590</u></b>

*See accompanying notes.*

**Statements of Activities**  
**For the Years Ended December 31, 2012 and 2011**  
**Institute for Public Relations**

	2012			2011		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Revenue:						
Contributions:						
General	\$ 312,752	38,000	\$ 350,752	\$ 205,386	18,500	\$ 223,886
In-Kind	134,425	--	134,425	58,080	--	58,080
Total Contributions	447,177	--	485,177	263,466	18,500	281,966
Event Income:						
Registration Fees & Sponsorships	261,200	--	261,200	436,945	--	436,945
In-Kind Contributions	4,650	--	4,650	6,100	--	6,100
Total Event Income	265,850	--	265,850	443,045	--	443,045
Interest and Investment Income	42	--	42	76	--	76
Reclassifications	46,250	(46,250)	--	7,705	(7,705)	--
<b>Total Revenues</b>	<b>759,319</b>	<b>(8,250)</b>	<b>751,069</b>	<b>714,292</b>	<b>10,795</b>	<b>725,087</b>
Expenses:						
Program:						
Research	325,999	--	325,999	264,370	--	264,370
Educational Programs	193,016	--	193,016	376,830	--	376,830
Total Program	519,015	--	519,015	641,200	--	641,200
Management and General Fundraising	50,744	--	50,744	52,356	--	52,356
	25,942	--	25,942	40,141	--	40,141
<b>Total Expenses</b>	<b>595,701</b>	<b>--</b>	<b>595,701</b>	<b>733,697</b>	<b>--</b>	<b>733,697</b>
<b>Change in Net Assets</b>	<b>163,618</b>	<b>(8,250)</b>	<b>155,368</b>	<b>(19,405)</b>	<b>10,795</b>	<b>(8,610)</b>
<b>Net Assets, Beginning of Year</b>	<b>196,941</b>	<b>22,250</b>	<b>219,191</b>	<b>216,346</b>	<b>11,455</b>	<b>227,801</b>
<b>Net Assets, End of Year</b>	<b>\$ 360,559</b>	<b>\$ 14,000</b>	<b>\$ 374,559</b>	<b>\$ 196,941</b>	<b>\$ 22,250</b>	<b>\$ 219,191</b>

*See accompanying notes.*

**Statement of Functional Expenses**  
**For the Year Ended December 31, 2012**  
**Institute for Public Relations**

	Program		Support		Total
	Research	Education	Management And General	Fund Raising	
Accounting	\$ --	\$ --	\$ 11,825	\$ --	\$ 11,825
Awards	5,244	--	--	--	5,244
Bank and Merchant Fees	750	146	88	58	1,042
Conference Fees	1,819	606	364	242	3,031
Depreciation	162	54	32	21	269
Dues and Subscriptions	2,078	693	416	277	3,464
Forum Director Fees	--	10,000	--	--	10,000
Insurance	4,219	1,406	844	562	7,031
Meeting/Event Costs	252	109,197	50	34	109,533
Office Supplies	1,026	342	205	136	1,709
Payroll Expenses	125,392	41,797	25,078	16,719	208,986
Postage and Delivery	273	91	55	36	455
Printing and Reproduction	300	100	60	40	500
Professional Services	3,621	1,892	623	415	6,551
Program Profit Sharing	--	8,066	--	--	8,066
Rent	8,448	2,816	1,690	1,126	14,080
Research Projects	123,509	--	--	--	123,509
Software	1,851	697	346	231	3,125
Telephone	2,112	704	422	282	3,520
Travel	15,669	4,651	2,791	1,860	24,971
Web Site	29,274	9,758	5,855	3,903	48,790
<b>Total Expenses</b>	<b>\$ 325,999</b>	<b>\$ 193,016</b>	<b>\$ 50,744</b>	<b>\$ 25,942</b>	<b>\$ 595,701</b>

*See accompanying notes.*

**Statement of Functional Expenses**  
**For the Year Ended December 31, 2011**  
**Institute for Public Relations**

	Program		Support		Total
	Research	Education	Management And General	Fund Raising	
Accounting	\$ --	\$ --	\$ 17,928	\$ --	\$ 17,928
Awards	14,481	--	--	--	14,481
Bank and Merchant Fees	181	108	43	29	361
Conference Fees	2,258	1,355	542	360	4,515
Depreciation	1,480	888	355	237	2,960
Dues and Subscriptions	373	224	89	59	745
Fees	357	214	86	57	714
Forum Director Fees	--	30,000	--	--	30,000
Insurance	1,803	1,082	433	288	3,606
Meeting/Event Costs	--	203,993	--	--	203,993
Office Supplies	2,750	1,650	660	439	5,499
Payroll Expenses	103,563	62,138	24,855	16,570	207,126
Postage and Delivery	720	432	173	115	1,440
Printing and Reproduction	57	34	14	9	114
Professional Services	8,344	5,006	2,815	19,070	35,235
Program Profit Sharing	--	34,832	--	--	34,832
Rent	7,040	4,224	1,690	1,126	14,080
Research Projects	69,879	--	--	--	69,879
Software	1,594	956	382	255	3,187
Telephone	974	584	234	156	1,948
Travel	8,573	5,144	2,057	1,371	17,145
Web Site	39,943	23,966	--	--	63,909
<b>Total Expenses</b>	<b>\$ 264,370</b>	<b>\$ 376,830</b>	<b>\$ 52,356</b>	<b>\$ 40,141</b>	<b>\$ 733,697</b>

*See accompanying notes.*

**Statements of Cash Flows**  
**For the Years Ended December 31, 2012 and 2011**  
**Institute for Public Relations**

	<u>2012</u>	<u>2011</u>
Operating Activities:		
Receipts:		
Contributions	\$ 348,778	\$ 217,160
Event Receipts	266,200	382,550
Other Receipts	42	76
Total Receipts	<u>615,020</u>	<u>599,786</u>
Cash Disbursements	<u>(442,367)</u>	<u>(666,260)</u>
<b>Net Cash from Operating Activities</b>	<b>172,653</b>	<b>(66,474)</b>
Investing Activities:		
Redemptions of Certificates of Deposit	<u>--</u>	<u>36,436</u>
<b>Net Cash from Investing Activities</b>	<b>--</b>	<b>36,436</b>
<b>Net Change in Cash</b>	<b>172,653</b>	<b>(30,038)</b>
<b>Cash, Beginning of Year</b>	<b><u>154,254</u></b>	<b><u>184,292</u></b>
<b>Cash, End of Year</b>	<b><u>\$ 326,907</u></b>	<b><u>\$ 154,254</u></b>

**Reconciliation of Change in Net Assets to Net Cash Provided by Operating Activities**

Change in Net Assets	\$ 155,368	\$ (8,610 )
Adjustments to Reconcile Change in Net Assets to Net Cash		
Provided by Operating Activities:		
Depreciation Expense	269	2,960
Changes in:		
Contributions Receivable	(1,974)	(6,726 )
Deposits – Events	--	1,000
Accounts Payable	13,990	(703 )
Deferred Revenue	<u>5,000</u>	<u>(54,395 )</u>
<b>Net Cash from Operating Activities</b>	<b><u>\$ 172,653</u></b>	<b><u>\$ (66,474 )</u></b>

*See accompanying notes.*

**Notes to the Financial Statements**  
**December 31, 2012 and 2011**  
**Institute for Public Relations**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Institute for Public Relations have been prepared on the accrual basis of accounting. Significant accounting policies are described below to enhance the usefulness of the financial statements to the reader.

Organization and Operations

The Institute for Public Relations is a non profit organization incorporated as The Foundation for Public Relations Research and Education doing business as The Institute for Public Relations (the Institute). The Institute is focused on the science beneath the art of public relations. It exists to expand and document research-based knowledge in public relations, and to make this knowledge available and useful to all practitioners, educators, researchers and the clients they serve. The Institute operates exclusively for charitable purposes.

In 2011, the Institute undertook a strategic redirection to put greater emphasis on the research element of its mission. The educational element of its mission will continue, but the mix of events undertaken by the Institute may change. In a related matter, the International Public Relations Research Conference (IPRRC), a longstanding program of the Institute, incorporated and obtained exempt status during 2011. The Board of the Institute donated \$69,282 to IPRRC, which was the amount in the accounts designated for IPRRC. The contribution is reported in the statement of activities for the year ended December 31, 2011 as a research expense. Changes in net assets and research expenses for the year ended December 31, 2011 should be considered with this unusual expense in mind.

Tax Exemption

The Institute is exempt from income taxes according to provisions of Section 501(c)(3) of the Internal Revenue Code. The Institute has not earned any unrelated business taxable income; therefore, no provision for federal income taxes is reported. In addition, the Institute has been classified by the Internal Revenue Service as an organization that is not a private foundation and qualifies for the charitable contribution deduction. The Institute holds no uncertain tax positions and, therefore, has no policy for evaluating them. The Institute's Form 990, *Return of Organization Exempt from Income Taxes*, is subject to examination by the IRS, generally for three years after the date filed.

Cash

Cash consists of deposits in financial institutions and one investment in a money market mutual fund. The investment in the mutual fund is reported at fair value. According the fund's prospectus, the fund invests only in high quality short term money market instruments, including certificates of deposit, banker's acceptances, commercial paper and other money market securities.

Contributions Receivable

The Institute records contributions receivable at net realizable value using the allowance method, however no allowance is recorded since all amounts are considered fully collectable. There are no identifiable concentrations of credit risk related to these amounts. All contributions are expected to be collected in the next year.

Fixed Assets

The Institute capitalizes office equipment costing more than \$500. Depreciation of office equipment is computed using the straight-line method over estimated useful lives of five years.



**Notes to the Financial Statements**  
**December 31, 2012 and 2011**  
**Institute for Public Relations**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (concluded)**

Revenue Recognition

*Registration Fees.* Registration fees for certain programs and events are earned when the event is held. Registration fees received before the event are reported as deferred revenue in current liabilities.

*Contributions – General.* Contributions received are measured at their fair values and are reported as an increase in net assets.

*Contributions – Restrictions.* The Institute 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, or if they are designated as support for future periods. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose 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. Donor-restricted contributions whose restrictions are met within the same fiscal year are reported as unrestricted support.

*Contributions – Services.* The Institute recognizes certain contributed services as revenue and expense if such services require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not donated. See Note 8 for more details. The Institute also receives services from board members and other volunteers whose contributions are central to its mission. However, these services do not meet all of the criteria for recognition in financial statements.

Functional Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of functional expenses. The Institute assigns many expenses directly to the benefited function. The Institute uses a reasonable method of allocating expenses relating to more than one functional category. Program services include the expenses of conferences and research and education projects, as well as an allocation of salaries and staff support expenses. Fundraising expenses include an allocation of salaries and supporting expenses as well as direct fundraising expenses. Management and general expenses include all activities required to conduct the affairs of the Institute which are not allocable to other functional areas.

Advertising Costs

Advertising costs are expensed as incurred.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure 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.

Prior Year Information

Certain prior year information may be presented differently in order to conform to the current year presentation.

**Notes to the Financial Statements**  
**December 31, 2012 and 2011**  
**Institute for Public Relations**

**NOTE 2 – RETIREMENT PLAN**

The Institute offers a retirement plan covering all employees. The Institute provides up to 3% of salary as a match for employee contributions to the plan. The Institute's contribution to the plan was \$5,709 and \$5,575 in 2012 and 2011, respectively.

**NOTE 3 – CONCENTRATIONS**

The Institute holds deposits of cash in two separate financial institutions. These amounts do not exceed Federal Deposit Insurance Corporation (FDIC) limits for the years ended December 31, 2012 and 2011.

**NOTE 4 – RELATED PARTY TRANSACTIONS**

The Institute paid \$44,000 and \$37,500 in 2012 and 2011, respectively, for research and educational program services provided by two board members.

**NOTE 5 – NET ASSETS**

Temporarily restricted net assets consist of cash donations restricted to the following:

	2012	2011
Operations of the Subsequent Year	\$ --	\$ 1,250
Research Projects	<u>14,000</u>	<u>21,000</u>
Totals	<u>\$ 14,000</u>	<u>\$ 22,250</u>

**NOTE 6 – EVENTS**

The following tables display the receipts and disbursements of the Institute's events:

	<u>Receipts</u>	<u>Direct Disbursements</u>	<u>Profit Sharing</u>	<u>Net</u>
<b>2012</b>				
<b>Educational Programs:</b>				
P.R. Leadership Forum	\$ 44,850	\$ 26,145	\$ 8,066	\$ 10,639
New York Lecture	157,750	49,366	--	108,384
Summit on Measurement	3,250	2,948	--	302
International Colloquium	60,000	41,461	--	18,539
Totals	<u>\$ 265,850</u>	<u>\$ 119,920</u>	<u>\$ 8,066</u>	<u>\$ 137,864</u>

	<u>Receipts</u>	<u>Direct Disbursements</u>	<u>Profit Sharing</u>	<u>Net</u>
<b>2011</b>				
<b>Education and Industry Affairs:</b>				
International Public Relations Research Conference	\$ 89,216	\$ 97,765	--	\$ (8,549)
<b>Educational Programs:</b>				
P.R. Leadership Forum – One	62,150	27,383	11,180	23,587
P.R. Leadership Forum – Two	54,050	24,246	15,354	14,450
New York Lecture	120,080	39,011	--	81,069
Summit on Measurement	47,476	18,293	--	29,183
European Colloquium	45,073	25,337	--	19,736
Strategic Summit	35,000	1,012	8,298	25,690
Totals	<u>\$ 453,045</u>	<u>\$ 233,047</u>	<u>\$ 34,832</u>	<u>\$ 185,166</u>

This Note reports a \$10,000 sponsorship for the 2011 New York Lecture as a receipt in 2011. However, the Statements of Activities reflect that receipt as revenue in 2010 since the funds were received in 2010.

**Notes to the Financial Statements**  
**December 31, 2012 and 2011**  
**Institute for Public Relations**

**NOTE 7 – IN-KIND CONTRIBUTIONS**

In-kind contributions consist of the following:

	<u>Programs</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Totals</u>
	<b>2012</b>			
Dues and Subscriptions	\$ 156	\$ 23	\$ 16	\$ 195
Meeting/Event Costs	4,650	--	--	4,650
Professional Services	592	89	59	740
Rent	11,264	1,690	1,126	14,080
Research Projects	72,983	--	--	72,983
Web Site	37,142	5,571	3,714	46,427
Totals	<u>\$ 126,787</u>	<u>\$ 7,373</u>	<u>\$ 4,915</u>	<u>\$ 139,075</u>
	<b>2011</b>			
Services	\$ 44,000	\$ --	\$ --	\$ 44,000
Rent	11,264	1,690	1,126	14,080
Miscellaneous	6,100	--	--	6,100
Totals	<u>\$ 61,364</u>	<u>\$ 1,690</u>	<u>\$ 1,126</u>	<u>\$ 64,180</u>

**NOTE 8 – SUBSEQUENT EVENTS**

The Institute has evaluated events and transactions for potential recognition or disclosure through April 3, 2013, which is the date the financial statements were available to be issued. There were no subsequent events which require disclosure.