REDEFINING PROGRESS

Financial Statements

March 31, 2005

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March 31, 2005

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Independent Auditor's Report

Board of Directors
Redefining Progress

I have audited the accompanying Statement of Financial Position of Redefining Progress (a nonprofit corporation) as of March 31, 2005, and the related Statements of Activities, Functional Expenses and Cash Flows for the year then ended. These financial statements are the responsibility of the Organization's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Redefining Progress as of March 31, 2005, and the changes in its net assets and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Antoinette G. Nies, CPA

February 28, 2006

REDEFINING PROGRESS
Statement of Financial Position
March 31, 2005

ASSETS

Current Assets	
Cash	$ 174,387
U.S. Government Money Market Funds	11,611
Accounts Receivable	21,350
Grants Receivable - Current	547,902
Prepaid Expenses and Deposits	8,969
Total Current Assets	764,219
Noncurrent Assets	
Grants Receivable	115,016
Property and Equipment - Net	13,398
Total Noncurrent Assets	128,414
Total Assets	$ 892,633

LIABILITIES AND NET ASSETS

Current Liabilities	
Accounts Payable	$ 113,692
Accrued Liabilities	32,514
Total Liabilities	146,206
Net Assets (Deficiency)	
Unrestricted	(104,736)
Temporarily Restricted	851,163
Total Net Assets	746,427
Total Liabilities and Net Assets	$ 892,633

REDEFINING PROGRESS

Statement of Activities

For the Year Ended March 31, 2005

	Unrestricted	Temporarily Restricted	Total
Revenues, Gains, and Other Support			
Grants and Contributions	$ 480,872	$ 1,550,351	**$ 2,031,223**
Program Service Fees	294,242		**294,242**
Subleases	32,856		**32,856**
Book and Publication Sales	679		**679**
Interest Income	249		**249**
Other Income	319		**319**
Net Assets Released from Restrictions:			
Satisfaction of Program Restrictions	812,281	(812,281)	**-**
Total Revenues, Gains, and Other Support	1,621,498	738,070	**2,359,568**
Expenses and Losses			
Program	1,162,718		**1,162,718**
Management and General	333,992		**333,992**
Fund Raising	244,561		**244,561**
Total Expenses and Losses	1,741,271	-	**1,741,271**
Changes in Net Assets	(119,773)	738,070	**618,297**
Net Assets, Beginning of Year	15,037	113,093	**128,130**
Net Assets (Deficiency), End of Year	**$ (104,736)**	**$ 851,163**	**$ 746,427**

REDEFINING PROGRESS
Statement of Functional Expenses
For the Year Ended March 31, 2005

	Program	Management and General	Fund Raising	Total
Salaries	$ 563,783	$ 131,770	$ 147,413	**$ 842,966**
Payroll Taxes and Benefits	89,270	19,139	26,936	**135,345**
	653,053	150,909	174,349	**978,311**
Professional Fees	223,923	115,564	24,495	**363,982**
Occupancy	89,899	17,780	18,667	**126,346**
Travel	58,523	7,733	5,888	**72,144**
Telecommunications	17,592	8,969	4,709	**31,270**
Interns	29,600			**29,600**
Dues and Subscriptions	18,972	4,929	2,280	**26,181**
Miscellaneous	12,869	10,278	1,297	**24,444**
Supplies	14,026	3,428	2,161	**19,615**
Printing and Postage	13,086	687	3,090	**16,863**
Conferences and Meetings	9,002	3,379	331	**12,712**
Equipment Rental and Maintenance	6,559	1,806	4,340	**12,705**
Insurance	4,070	904	1,069	**6,043**
Board Expenses		5,981		**5,981**
Media Costs	4,136			**4,136**
Design and Production	471	24	71	**566**
	1,155,781	332,371	242,747	**1,730,899**
Depreciation	6,937	1,621	1,814	**10,372**
Total Expenses	**$ 1,162,718**	**$ 333,992**	**$ 244,561**	**$ 1,741,271**

REDEFINING PROGRESS

Statement of Cash Flows

For the Year Ended March 31, 2005

Cash Flows from Operating Activities	
Change in Net Assets	**$ 618,297**
Adjustments to Reconcile Changes in Net Assets to Net Cash Provided by Operating Activities:	
Depreciation	**10,372**
(Increase) Decrease in Operating Assets:	
Accounts Receivable	**26,013**
Grants Receivable	**(662,918)**
Prepaid Expenses	**3,002**
Increase (Decrease) in Operating Liabilities:	
Accounts Payable	**60,396**
Accrued Liabilities	**14,601**
Fees Received in Advance	**(31,588)**
Net Cash Provided by Operating Activities	**38,175**
Cash Flows from Investing Activities	
Purchase of Property and Equipment	**(9,424)**
Net Cash (Used) by Investing Activities	**(9,424)**
Net Increase in Cash	**28,751**
Cash and Cash Equivalents, Beginning of Year	**157,247**
Cash and Cash Equivalents, End of Year	**$ 185,998**

REDEFINING PROGRESS

Notes to Financial Statements

March 31, 2005

1. Summary of Organization

As a nation, the United States has the knowledge, technology, and wealth to take a better course. Americans, like people throughout the world, want genuine progress: a more satisfying life for themselves, for their children, and for future generations. Redefining Progress believes an economy that values people and nature first will foster a more fulfilling quality of life for everyone. Such an economy discourages pollution, waste, and excessive consumption. It sustains individuals and families. It protects nature's finite resources - for today and for future generations.

Redefining Progress creates innovative policies and tools designed to help reorient the economy. Through our research, writing, education, and advocacy, we raise basic questions and provide better answers. We aim to change how policymakers, opinion leaders, and the general public think about progress – so that we can work together to build a better future for all.

Redefining Progress is a non-profit, non-partisan organization with three major programs and five key projects:

Common Assets Program

The Common Assets Program reclaims our shared resources as the basis for our common wealth. Shared resources like water, parks, public education, and safe recreation areas are critical to ensuring sustainable development and quality of life. These common assets are increasingly being privatized, enclosed, disinvested, and depleted.

Redefining Progress is investigating a comprehensive array of social and natural assets -- both Old Economy and New -- as the basis for our common wealth. RP's interest is in providing a bridge between the Old and New Economies, the social and the environmental, between common assets and household asset building, and between inequitable access to common assets and broader social justice issues.

Sustainable Economics Program

The myth that environmental protection must come at the expense of economic growth is dead. Short-sided policies and approaches to producing the energy and other products we need can and do have harmful impacts on society and the environment. Pollution, traffic congestion, and health risks are examples of such impacts which often disproportionately effect communities of color and people living in poverty. RP's Sustainable Economics Program works to develop and promote creative, market-based policies that protect the environment, grow the economy, and promote social equity.

1. **Summary of Organization** - continued

Sustainability Indicators Program

The Sustainability Indicators Program provides communities, public officials, and business leaders with analytical tools and educational programs that help protect our environment and promote a more equitable and just society. RP conducts independent research to support sustainability campaigns of our partners and provides sustainability analysis services for municipal, non-profit, business, and educational clients.

The Environmental Justice and Climate Change Initiative is an effort by 28 U.S. environmental justice, climate justice, religious, policy, and advocacy groups to call for action from the Bush Administration and Congress on climate change. The EJCC Initiative supports energy efficiency, renewable energy, and conservation policies while seeking equitable measures to protect and assist the communities most affected by climate change.

Redefining Progress's Ecological Footprint Analysis measures the amount of renewable and non-renewable ecologically productive land area required to support the resource demands and absorb the wastes of a given population or specific activities.

The Community Indicators Handbook integrates the basics of building an indicator project to meet your community's needs with the best practices of projects around the country, insights into the progress and evolution of the indicator movement, and listings of local, regional and national organizations for reference.

In 1995, Redefining Progress created a more accurate measure of progress called the **Genuine Progress Indicator** (GPI). It starts with the same accounting framework as the GDP, but then makes some crucial distinctions: It adds in the economic contributions of household and volunteer work, but subtracts factors such as crime, pollution, and family breakdown. We continue to update the GPI on a yearly basis to document a more truthful picture of economic progress.

Our **Climate Asset** Plan uses creative policies to limit global warming and other pollution at the state level while helping provide much needed funds for state budgets.

The Organization receives the majority of its funding from foundations and individual donors.

2. Summary of Significant Accounting Policies

Method of Accounting

The Organization's assets, liabilities, and net assets are presented on the accrual basis of accounting.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Cash

Redefining Progress maintains its cash balance in a high-credit, quality financial institution located in California. The balance is insured by the Federal Deposit Insurance Corporation up to $100,000. At March 31, 2005, the uninsured cash balance was approximately $100,000. Redefining Progress has not incurred losses related to these deposits.

Cash Equivalents

For purposes of the statement of cash flows, cash equivalents held for investment and not used in operations are considered to be investments for the statement of cash flows.

Accounts Receivable

Accounts Receivable are stated at unpaid balances. No allowance for doubtful accounts has been provided as management believes substantially all to be collectible.

Promises to Give

Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

2. Summary of Significant Accounting Policies – continued

Property and Equipment and Depreciation

The Organization capitalizes all expenditures for property and equipment in excess of $500. Purchased property and equipment are carried at cost. Donated property and equipment are carried at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method.

Contributions

The Organization 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. When a donor restriction expires, that is, when a stipulated purpose restriction is accomplished, temporary net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as Net Assets Released from Restrictions. The Organization reports gifts of equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived asset are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Donated Services

Donated services are recognized as contributions in accordance with SFAS No. 116, *Accounting for Contributions Received and Contributions Made,* if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization.

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.

REDEFINING PROGRESS

Notes to Financial Statements

March 31, 2005

(Continued)

2. **Summary of Significant Accounting Policies** – continued

Functional Allocation of Expenses

Costs of providing the Organization's program and other activities have been summarized in the statement of activities. During the year, such costs were accumulated into separate groupings as either direct or indirect. Indirect or shared costs were allocated to the program and supporting services by a method which best measured the relative degree of benefit.

Income Taxes

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. In addition, the Organization 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).

3. **Grants Receivable**

Unconditional grants receivable at March 31, 2005, are as follows:

Receivable in less than one year	$ 547,902
Receivable in one to five years	125,000
Total unconditional pledges receivable	672,902
Less discounts to net present value	(9,984)
Net unconditional grants receivable	$ 662,918

Grants receivable in more than one year are discounted at 4.25%.

4. **Property and Equipment**

Property and Equipment are comprised of the following:

	Cost	Accumulated Depreciation	Net Book Value
Computer Equipment	$ 126,012	$ 116,682	$ 9,330
Furniture and Fixtures	6,400	6,400	-0-
Leasehold Improvements	18,780	14,712	4,068
	$ 151,192	$ 137,794	$ 13,398

REDEFINING PROGRESS

Notes to Financial Statements

March 31, 2005

(Continued)

5. Net Assets

Temporarily Restricted Net Assets are restricted for the following purposes:

Climate Change	$ 250,573
Sustainable Economics	100,000
Sustainability Indicators	500,590
	$ 851,163

6. Program Expenses

Expenses by program for the year ended March 31, 2005 were as follows:

Sustainability Indicators	$ 477,331
Strategic Initiative	230,857
Climate Change	206,875
Communications	141,752
Common Assets	98,447
Environmental Justice	7,456
	$ 1,162,718

7. Leases

The Organization leases offices under an operating lease expiring in July, 2005. Rental expense for the year ended March 31, 2005 under this lease is $ 93,600. Minimum future payments under this lease are as follows:

Year Ending March 31,	
2006	$ 23,400

The Organization sublets portions of the office space for lease terms of up to one year. Income from these subleases was $32,856 for the year ended March 31, 2005.