

# **ROCK THE VOTE**

**Financial Statements and Independent Auditor's Report**

**December 31, 2012**

**DENBURG & LOW, PA**  
Certified Public Accountants  
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Washington, DC 20036

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Rock the Vote

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## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Rock the Vote

We have audited the accompanying statement of financial position of Rock the Vote, a non-profit organization, as of December 31, 2012, 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. 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 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. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Rock the Vote as of December 31, 2012 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.

Washington, DC  
May 3, 2013

## STATEMENT OF FINANCIAL POSITION

Rock the Vote

December 31, 2012

### ASSETS

Cash	\$ 242,771
Contributions and grants receivable	250,533
Prepaid expenses	18,432
Property and equipment (Note C)	4,473
Deposits	9,057
Intangible property (Note D)	166,782
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Total assets	<u>\$ 692,048</u>

### LIABILITIES

Accounts payable and accrued expenses	\$ 34,645
Deferred rent	15,651
Due to related organization (Note F)	151,880
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Total liabilities	<u>202,176</u>

### COMMITMENTS (Note G)

### NET ASSETS

Unrestricted	390,689
Temporarily restricted (Note E)	99,183
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Total net assets	<u>489,872</u>
	<hr/>
Total liabilities and net assets	<u>\$ 692,048</u>

The accompanying notes are an integral part of these financial statements

## STATEMENT OF ACTIVITIES

Rock the Vote

For the Year Ended December 31, 2012

	Unrestricted	Temporarily Restricted	Total
Support and revenue			
Contributions and grants	\$ 1,773,489	\$ 1,247,803	\$ 3,021,292
Royalties	62,207	-	62,207
Net assets released from program restrictions	1,365,213	(1,365,213)	-
Total support and revenue	3,200,909	(117,410)	3,083,499
Expenses			
Program services	2,778,068	-	2,778,068
General and administrative	147,238	-	147,238
Fund raising	133,417	-	133,417
Total expenses	3,058,723	-	3,058,723
Changes in net assets	142,186	(117,410)	24,776
Net assets - Beginning of year	248,503	216,593	465,096
Net assets - End of year	\$ 390,689	\$ 99,183	\$ 489,872

The accompanying notes are an integral part of these financial statements

# STATEMENT OF FUNCTIONAL EXPENSES

Rock the Vote  
For the Year Ended December 31, 2012

	Program Services			Supporting Services		Total Programs & Supporting Services
	High School Civics	Elections	Voting Rights	General and Administrative	Fund Raising	
<b>Staff and benefits</b>						
Salaries and staff compensation	\$ 31,106	\$ 336,815	\$ 15,319	\$ 49,096	\$ 48,168	\$ 480,504
Payroll taxes	2,685	26,161	1,221	3,644	4,694	38,405
Employee benefits	1,696	22,107	1,014	5,988	3,068	33,873
	35,487	385,083	17,554	58,728	55,930	552,782
<b>Professional Fees</b>						
Accounting	-	-	-	83,598	1,667	85,265
Legal	72	2,781	350	248	7,740	11,191
Consultants	3,208	881,482	107,839	148,477	-	1,141,006
Other	-	-	-	2,853	-	2,853
	3,280	884,263	108,189	235,176	9,407	1,240,315
<b>Travel and meetings</b>						
Travel, lodging and fees	2,203	64,139	5,047	5,786	12,922	90,097
	2,203	64,139	5,047	5,786	12,922	90,097
<b>Supplies, equipment and maintenance</b>						
Supplies	6,064	5,637	45	1,118	-	12,864
Dues and subscriptions	190	-	-	654	-	844
Computer and equipment	2,523	9,278	-	434	-	12,235
Depreciation and amortization	-	-	-	92,798	-	92,798
Equipment rental and other	2,666	105,054	2,108	6,437	86	116,351
Repairs and maintenance	-	1,228	-	-	-	1,228
	11,443	121,197	2,153	101,441	86	236,320
<b>Occupancy</b>						
Rent and occupancy costs	30	4,829	41	94,333	25	99,258
	30	4,829	41	94,333	25	99,258
<b>Communications and marketing</b>						
Printing and reproduction	136,135	47,694	-	4,571	134	188,534
Advertising	430	473,777	-	-	-	474,207
Other	8,343	34,820	110	2,140	257	45,670
	144,908	556,291	110	6,711	391	708,411
<b>Other operating expenses</b>						
Allocated program expenses	32,455	351,432	15,984	(450,129)	50,258	-
Insurance	-	-	-	12,309	-	12,309
Registration fees	-	276	-	265	3,230	3,771
Write off of promise-to-give	-	-	-	75,000	-	75,000
Other operating expenses	-	2,517	-	7,618	1,168	11,303
	32,455	354,225	15,984	(354,937)	54,656	102,383
<b>In-kind expenses</b>						
Catalist/Voter files	-	15,000	-	-	-	15,000
Merchandise	13,997	-	-	-	-	13,997
Printing	160	-	-	-	-	160
	14,157	15,000	-	-	-	29,157
<b>Total expenses</b>	\$ 243,963	\$ 2,385,027	\$ 149,078	\$ 147,238	\$ 133,417	\$ 3,058,723

The accompanying notes are an integral part of these financial statements

## STATEMENT OF CASH FLOWS

Rock the Vote

For the Year Ended December 31, 2012

Cash flows from operating activities	
Change in net assets	\$ 24,776
Adjustments to reconcile change in net cash used by operating activities:	
Depreciation and amortization	92,798
Increase in contributions and grants receivable	(106,212)
Increase in prepaid expenses	(4,994)
Decrease in accounts payable and accrued expenses	(2,954)
Increase in deferred expenses	<u>3,472</u>
Net cash provided by operating activities	<u>6,886</u>
Cash flows from investing activities	
Fixed asset acquisitions net of dispositions	<u>(4,932)</u>
Net cash used in investing activities	<u>(4,932)</u>
Cash flows from financing activities	
Loan to related organization	<u>(3,422)</u>
Net cash used in financing activities	<u>(3,422)</u>
Net decrease in cash	(1,468)
Cash balance - Beginning of the year	<u>244,239</u>
Cash balance - End of the year	<u><u>\$ 242,771</u></u>

The accompanying notes are an integral part of these financial statements

# NOTES TO FINANCIAL STATEMENTS

Rock the Vote  
December 31, 2012

## NOTE A - ORGANIZATION

Rock the Vote, a non-profit corporation, was organized in Washington, DC on December 27, 2005. They were formerly known as the Music for America Education Fund. The corporate offices are located in Washington, DC. The first activity began on or about April 1, 2007. Rock the Vote engages youth in the political process by incorporating the entertainment community, popular culture and new technologies with the goal of encouraging youth and others to vote and take action on issues that affect their lives. Additionally, Rock the Vote conducts voter registration, civic education and GOTV efforts focusing on 18 to 29 year olds who are the most under-represented in our democracy and empowers young people to be active citizens through political participation.

## NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of the Organization's significant accounting policies consistently applied in the preparation of the accompanying financial statements.

### 1. Basis of accounting

The Organization presents its financial statements on the accrual basis of accounting. Under this method, revenues are recognized when they are due or pledged rather than when they are received. Expenses are recognized when they are incurred rather than when they are paid.

### 2. Audit Procedures

This audit was performed in accordance with guidelines included in "Audits of Certain Non-Profit Organizations" issued by the American Institute of Certified Public Accountants.

### 3. Property and equipment

Property and equipment is recorded at cost and depreciated, using the straight-line method, over the estimated useful life of the asset. Presently all property and equipment is depreciated over 3 years. It is the policy of the Organization to capitalize and depreciate property with a cost of greater than \$1,500 and a useful life of more than a year.

### 4. Non-cash contributions

Non-cash contributions are recorded at fair market value on the date of the donation to the extent they are susceptible to valuation. There were non-cash contribution of data services, printing services and merchandise totaling \$29,157 during the year for the benefit of both the High School Civics and Elections Programs. These income and expense items are included in the financial statements.



# NOTES TO FINANCIAL STATEMENTS

Rock the Vote  
December 31, 2012

## NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 5. Promises to give

Contributions are recognized when the donor makes an unconditional promise to give to the Organization. All donor-restricted contributions are reported as increases in temporarily restricted net assets. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets. All contributions receivable are due within one year.

### 6. Financial statement presentation

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. All donor-restricted contributions are reported as increases in temporarily restricted net assets. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

### 7. Revenue recognition

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Temporarily restricted net assets become unrestricted when the time restrictions expire or the funds are used for their restricted purpose and are reported in the statements of activities as net assets released from restrictions. Donated goods and services are reflected as contributions at their estimated fair market value at the time of receipt.

### 8. 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. For example, depreciation, amortization and the functional allocation of certain expenses are estimates. Accordingly, actual results could differ from these estimates.

### 9. Income taxes

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and they are also exempt from state income taxes. The Internal Revenue Service has determined that they are a publicly supported organization.

Effective January 1, 2009 the Organization adopted the authoritative guidance related to accounting for uncertainty in income taxes. The Organization performed an evaluation of uncertain tax positions for the year ended December 31, 2012, and determined that there were no matters that would require recognition in the financial statements or which may have any effect on its tax-exempt status. The tax returns for the years 2009 through 2011 are open to examination by federal and state authorities.

## **NOTES TO FINANCIAL STATEMENTS**

Rock the Vote

December 31, 2012

### **NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

#### **10. Cash and cash equivalents**

For financials statement purposes, the Organization considers cash and cash equivalents to include cash in banks.

#### **11. Allocation of expenses**

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Effective for 2012 the Organization has changed the way that they account for certain programmatic expenses. Expenses that benefit multiple programs are accumulated monthly and allocated among the various programs based on the relative salaries allocated to each program.

### **NOTE C – PROPERTY AND EQUIPMENT**

Property and equipment consists of furniture, computers and leasehold improvements. Depreciation is calculated on a straight line basis over 3 years. Depreciation expense for 2012 is \$2,182 and accumulated depreciation as of December 31, 2012 is \$17,632.

### **NOTE D – INTANGIBLE PROPERTY**

Intangible assets consist of trademark and logo acquisition costs and website and portal development costs which totaled \$567,062 as of December 31, 2012. The trademark and logo costs comprise \$230,044 of the total and are being amortized over 20 years. The website development costs totaled \$337,018 with amortization calculated on a straight line basis over three years. Amortization expense for 2012 is \$90,616 and accumulated amortization as of December 31, 2012 is \$400,280.

### **NOTE E –RESTRICTIONS ON NET ASSETS**

There was \$99,183 in net assets that were subject to temporary donor restrictions as of December 31, 2012. All of these restrictions were use-restrictions which means that their use was designated for a certain purpose or program. Of this total, \$25,246 was restricted for use in the High School Civics Program, \$13,015 is to be used in the Elections Program and \$60,922 is to be used in the Electoral Reform Program. As of December 31, 2012 there were no permanently restricted net assets.

## **NOTES TO FINANCIAL STATEMENTS**

Rock the Vote

December 31, 2012

### **NOTE F – RELATED PARTY TRANSACTIONS**

Rock the Vote Action Fund is an affiliated non-profit organization which is exempt from taxation under Section 501(c)(4) of the Internal Revenue Code. During the year there were expenses paid by Rock the Vote on behalf of the Action Fund in the amount of \$3,422. As of December 31, 2012, Rock the Vote owed the Action Fund \$151,880.

### **NOTE G – COMMITMENTS**

#### Office Lease

Effective January 15, 2011 the Organization entered into a lease for office space which extends through January 31, 2016. The initial monthly rental amount was \$5,057 with escalation provisions and expense pass-through adjustments through the term of the lease. The monthly rental for 2012 is \$5,323. The minimum future obligation under this lease is \$197,543.

#### Data Services

The Organization renewed their data license and service agreement beginning January 1, 2012 which is effective until December 31, 2013. Under the new agreement the Organization is obligated to pay \$150,000 for 2012 and \$125,000 for 2013 with allowable discounts of \$15,000 and \$12,500, respectively. The net cost is \$135,000 for 2012 and will be \$112,500 for 2013.

#### Mobile Text and Web Services

The Organization renewed an agreement which is effective from December 1, 2012 through November 30, 2013. Under the terms of the agreement, the Organization pays \$4,845 per month. The minimum future obligation under this agreement is \$53,295.

### **NOTE H – RETIREMENT PLAN**

The Organization provides a Simple IRA retirement plan for all eligible employees. This allows employees to elect to have a portion of their payroll contributed to the retirement account on a pre-tax basis. The Organization then provides a matching contribution of up to 3% of participating employee payroll. During 2012 the Organization contributed \$10,018 in matching retirement contributions.

### **NOTE I – SUBSEQUENT EVENTS**

The Organization has evaluated subsequent events through May 3, 2013 which is the date the financial statements were available to be issued.