

# **ROCK THE VOTE**

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

**December 31, 2014**

**DENBURG & LOW, PA**  
**Certified Public Accountants**  
**1350 Connecticut Avenue, NW, Suite 850**  
**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 financial statements of Rock the Vote (a nonprofit organization), which comprise the statement of financial position as of December 31, 2014, 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.

## 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, 2014 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.

A handwritten signature in black ink, reading "Darling + Low", is positioned above a light gray rectangular background.

Washington, DC

May 5, 2015

## STATEMENT OF FINANCIAL POSITION

Rock the Vote

December 31, 2014

### ASSETS

Cash	\$ 975,346
Contributions and grants receivable	349,283
Prepaid expenses	29,917
Property and equipment (Note C)	2,652
Deposits	9,057
Intangible property (Note D)	<u>230,611</u>
Total assets	<u>\$ 1,596,866</u>

### LIABILITIES

Accounts payable and accrued expenses	\$ 49,985
Deferred rent	7,011
Due to related organization (Note G)	<u>145,480</u>
Total liabilities	<u>202,476</u>

### COMMITMENTS (Note H)

### NET ASSETS

Unrestricted (Note E)	562,597
Temporarily restricted (Note E)	<u>831,793</u>
Total net assets	<u>1,394,390</u>
Total liabilities and net assets	<u>\$ 1,596,866</u>

The accompanying notes are an integral part of these financial statements

## STATEMENT OF ACTIVITIES

Rock the Vote

For the Year Ended December 31, 2014

	Unrestricted	Temporarily Restricted	Total
Support and revenue			
Contributions and grants	\$ 1,596,039	\$ 1,657,000	\$ 3,253,039
Other revenue	28,579	-	28,579
Net assets released from program restrictions	1,448,561	(1,448,561)	-
Total support and revenue	3,073,179	208,439	3,281,618
Expenses			
Program services	1,933,628	-	1,933,628
General and administrative	394,339	-	394,339
Fund raising	75,329	-	75,329
Total expenses	2,403,296	-	2,403,296
Changes in net assets	669,883	208,439	878,322
Net assets - Beginning of year	(107,286)	623,354	516,068
Net assets - End of year	\$ 562,597	\$ 831,793	\$ 1,394,390

The accompanying notes are an integral part of these financial statements

# STATEMENT OF FUNCTIONAL EXPENSES

Rock the Vote  
For the Year Ended December 31, 2014

	Program Services			Supporting Services			Total Programs & Supporting Services
	Elections	Civic Education	Registration Technology	Voting Rights	Total Programs	General and Administrative	Fund Raising
<b>Staff and benefits</b>							
Salaries and staff compensation	\$ 203,815	\$ 29,239	\$ 88,341	\$ 34,788	\$ 356,183	\$ 99,393	\$ 25,653
Payroll taxes	16,690	2,514	7,083	2,853	29,140	8,443	2,138
Employee benefits	15,150	1,672	6,018	1,963	24,803	8,297	1,797
	235,655	33,425	101,442	39,604	410,126	116,133	29,588
<b>Professional Fees</b>							
Accounting	-	-	-	-	-	87,928	-
Legal	705	-	936	1,695	3,336	2,371	8,916
Consultants and other	144,335	1,500	63,550	47,100	256,485	43,532	10,466
	145,040	1,500	64,486	48,795	259,821	133,831	19,382
<b>Travel and meetings</b>							
Travel, lodging, artists and fees	67,495	2,405	12,721	3,621	86,242	6,186	9,418
	67,495	2,405	12,721	3,621	86,242	6,186	9,418
<b>Equipment and maintenance</b>							
Dues and subscriptions	431	-	-	200	631	3,174	250
Computer and equipment	786	-	300	71	1,157	488	-
Depreciation and amortization	-	-	29,166	-	29,166	14,408	-
Equipment rental and other	25,468	-	1,098	52	26,618	13,647	458
	26,685	-	30,564	323	57,572	31,717	708
<b>Occupancy</b>							
Rent and occupancy costs	1,348	-	-	-	1,348	77,643	108
	1,348	-	-	-	1,348	77,643	108
<b>Communications and marketing</b>							
Printing and reproduction	2,445	-	1,342	104	3,891	8,175	402
Advertising and video production	425,602	-	-	6,139	431,741	5,175	-
Other	1,361	3,696	-	12	5,069	881	695
	429,408	3,696	1,342	6,255	440,701	14,231	1,097
<b>Technology fees</b>							
Online voter registration	11,140	-	9,086	-	20,226	-	-
Catalist/Voter files	37,821	-	79,909	-	117,730	-	-
Email/web/mobile	89,678	-	25,520	16,285	131,483	15,365	-
	138,639	-	114,515	16,285	269,439	15,365	-
<b>Other operating expenses</b>							
Allocated program expenses	96,765	17,102	48,047	21,727	183,641	(197,294)	13,653
Insurance	2,000	-	6,136	4,136	6,136	11,710	-
Interest expense	-	-	-	-	-	2,196	-
Subgrant expenses	192,150	3	-	-	192,150	-	-
Other operating expenses	5,000	17,105	48,047	25,863	5,003	6,696	1,375
	295,915	17,105	48,047	25,863	386,930	(176,692)	15,028
<b>In-kind expenses</b>							
Data and professional services	17,338	-	4,111	-	21,449	175,925	-
	17,338	-	4,111	-	21,449	175,925	-
<b>Total expenses</b>	\$ 1,357,523	\$ 58,131	\$ 377,228	\$ 140,746	\$ 1,933,628	\$ 394,339	\$ 75,329

The accompanying notes are an integral part of these financial statements

## STATEMENT OF CASH FLOWS

Rock the Vote

For the Year Ended December 31, 2014

Cash flows from operating activities	
Change in net assets	\$ 878,322
Adjustments to reconcile change in net cash used in operating activities:	
Depreciation and amortization	43,575
Decrease in contributions and grants receivable	160,976
Increase in prepaid expenses	(20,118)
Decrease in accounts payable and accrued expenses	(41,034)
Decrease in deferred expenses	<u>(5,201)</u>
Net provided by operating activities	<u>1,016,520</u>
Cash flows from investing activities	
Fixed and intangible asset acquisitions	<u>(62,000)</u>
Net cash used in investing activities	<u>(62,000)</u>
Cash flows from financing activities	
Loan repayment to related organization	(4,840)
Note payable payoff	<u>(42,804)</u>
Net cash used in financing activities	<u>(47,644)</u>
Net increase in cash	906,876
Cash balance - Beginning of the year	<u>68,470</u>
Cash balance - End of the year	<u><u>\$ 975,346</u></u>

The accompanying notes are an integral part of these financial statements



# NOTES TO FINANCIAL STATEMENTS

Rock the Vote  
December 31, 2014

## 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 "Not-for-Profit Entities Audit and Accounting Guide" 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 contributions of data and professional services totaling \$197,374 during the year for the benefit of the Election Program, Registration Technology Program and Administration. These income and expense items are included in the financial statements.

# NOTES TO FINANCIAL STATEMENTS

Rock the Vote  
December 31, 2014

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

### 5. Promises to give

Contributions and grants are recognized when the donor makes an unconditional promise to give to the Organization. All donor-restricted funding is reported as increases in temporarily restricted net assets. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets. Contributions and grants receivable are due in both 2015 and 2016. See Note F.

### 6. Financial statement presentation and revenue recognition

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 depending on the existence and/or nature of any donor restrictions.. 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. Donated goods and services are reflected as contributions at their estimated fair market value at the time of receipt. See Note B-4.

### 7. 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.

### 8. 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, 2014, 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 2011 through 2013 are open to examination by federal and state authorities.

### 9. Cash and cash equivalents

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

# **NOTES TO FINANCIAL STATEMENTS**

Rock the Vote  
December 31, 2014

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

### **10. 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 in 2012 the Organization 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 2014 is \$2,906 and accumulated depreciation as of December 31, 2014 is \$22,734.

## **NOTE D – INTANGIBLE PROPERTY**

Intangible assets consist of trademark and logo acquisition costs and website and portal development costs which totaled \$689,062 as of December 31, 2014. The trademark and logo costs comprise \$230,044 of the total and are being amortized over 20 years. The website development costs totaled \$459,018 with amortization calculated on a straight line basis over 30 to 36 months. Amortization expense for 2014 is \$40,669 and accumulated amortization as of December 31, 2014 is \$458,451.

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

There was \$831,793 in net assets that were subject to temporary donor restrictions as of December 31, 2014. Of these, \$481,793 was subject to use-restrictions meaning that their use was designated for a certain purpose or program. The remaining \$350,000 was subject to time restrictions meaning that their use is restricted to a future period. On a programmatic basis the use-restrictions are for use in the Election's Program- \$425,666, Registration Technology- \$46,690, and for specific administrative work- \$9,437.

As of December 31, 2014 there are no permanently restricted net assets.

## **NOTE F –CONTRIBUTIONS AND GRANTS**

As of December 31, 2014 there were \$350,000 in contributions and grants receivable which includes \$275,000 that is due in 2015 and \$75,000 that is due in 2016. The receivables are presented net of a future-value discount of \$717.

## **NOTES TO FINANCIAL STATEMENTS**

Rock the Vote  
December 31, 2014

### **NOTE G – 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 \$4,840. As of December 31, 2014, Rock the Vote owed the Action Fund \$145,480.

### **NOTE H – 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 2014 ranged from \$5,509 to \$5,701 due to changes in common area maintenance pass-throughs. The minimum future obligation under this lease is \$73,127 which is broken down as follows: 2015- \$67,491 and 2016- \$5,636..

#### Data Services

The Organization renewed their data license and service agreement beginning January 1, 2013 which is effective until December 31, 2015. Under the agreement the Organization is obligated to pay \$115,000 for 2014 and \$95,000 for 2015 with allowable discounts of \$5,750 and \$4,750, respectively. The net cost is \$109,250 for 2014 and \$90,250 for 2015.

### **NOTE I – 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 2014 the Organization contributed \$11,738 in matching retirement contributions.

### **NOTE J – SUBSEQUENT EVENTS**

The Organization has evaluated subsequent events through May 5, 2015 which is the date the financial statements were available to be issued.

### **NOTE K – CONCENTRATION OF RISK**

The Organization maintains cash accounts in a commercial bank that exceeds the federally insured limit for such deposits. As of December 31, 2014 they had an uninsured cash balance of \$725,346.