

ROCK THE VOTE

Financial Statements and Independent Auditor's Report

December 31, 2016

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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, 2016, 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, 2016 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.


Washington, DC
August 22, 2017

STATEMENT OF FINANCIAL POSITION

Rock the Vote

December 31, 2016

ASSETS

Cash	\$	660,519
Contributions and grants receivable		250,000
Receivables - other		50,689
Prepaid expenses		10,732
Property and equipment (Note C)		9,710
Deposits		14,575
Intangible property (Note D)		<u>162,523</u>
Total assets	\$	<u><u>1,158,748</u></u>

LIABILITIES

Accounts payable and accrued expenses	\$	55,800
Due to related organization (Note G)		<u>110,150</u>
Total liabilities		<u>165,950</u>

COMMITMENTS (Note H)

NET ASSETS

Unrestricted (Note E)		877,028
Temporarily restricted (Note E)		<u>115,770</u>
Total net assets		<u>992,798</u>
Total liabilities and net assets	\$	<u><u>1,158,748</u></u>

The accompanying notes are an integral part of these financial statements

STATEMENT OF ACTIVITIES

Rock the Vote

For the Year Ended December 31, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support and revenue			
Contributions and grants	\$ 7,844,179	\$ 25,000	\$ 7,869,179
Other revenue	63,772	-	63,772
Net assets released from program restrictions	<u>2,644,388</u>	<u>(2,644,388)</u>	<u>-</u>
Total support and revenue	<u>10,552,339</u>	<u>(2,619,388)</u>	<u>7,932,951</u>
Expenses			
Program services	9,268,286	-	9,268,286
General and administrative	363,306	-	363,306
Fund raising	<u>295,229</u>	<u>-</u>	<u>295,229</u>
Total expenses	<u>9,926,821</u>	<u>-</u>	<u>9,926,821</u>
Changes in net assets	625,518	(2,619,388)	(1,993,870)
Net assets - Beginning of year	<u>251,510</u>	<u>2,735,158</u>	<u>2,986,668</u>
Net assets - End of year	<u>\$ 877,028</u>	<u>\$ 115,770</u>	<u>\$ 992,798</u>

The accompanying notes are an integral part of these financial statements

STATEMENT OF FUNCTIONAL EXPENSES

Rock the Vote

For the Year Ended December 31, 2016

	Program Services				Total Programs	Supporting Services		Total Programs & Supporting Services
	Civic Education	Registration Technology	Voting Rights	Culture of Voting		General and Administrative	Fund Raising	
Staff and benefits								
Salaries and staff compensation	\$ 81,358	\$ 166,728	\$ 92,024	\$ 161,048	\$ 501,158	\$ 132,617	\$ 86,252	\$ 720,027
Payroll taxes	6,997	14,478	8,037	14,022	43,534	11,606	7,447	62,587
Employee benefits	9,739	20,089	10,299	18,396	58,523	15,978	9,387	83,888
	<u>98,094</u>	<u>201,295</u>	<u>110,360</u>	<u>193,466</u>	<u>603,215</u>	<u>160,201</u>	<u>103,086</u>	<u>866,502</u>
Professional Fees								
Accounting	-	501	-	-	501	91,518	261	92,280
Legal	204	5,094	5,168	1,982	12,448	26,979	4,190	43,617
Consultants and other	53,598	670,794	98,942	92,327	915,661	74,907	122,499	1,113,067
	<u>53,802</u>	<u>676,389</u>	<u>104,110</u>	<u>94,309</u>	<u>928,610</u>	<u>193,404</u>	<u>126,950</u>	<u>1,248,964</u>
Travel and meetings								
Travel, lodging, artists and fees	7,195	132,970	11,274	3,696	155,135	4,987	15,268	175,390
	<u>7,195</u>	<u>132,970</u>	<u>11,274</u>	<u>3,696</u>	<u>155,135</u>	<u>4,987</u>	<u>15,268</u>	<u>175,390</u>
Equipment and maintenance								
Dues and subscriptions	210	9,301	1,179	148	10,838	2,522	40	13,400
Computer and equipment	-	6,926	-	-	6,926	3,964	-	10,890
Depreciation and amortization	-	-	35,417	-	35,417	14,514	-	49,931
Equipment rental and other	7	494,210	-	-	494,217	-	19	494,236
	<u>217</u>	<u>510,437</u>	<u>36,596</u>	<u>148</u>	<u>547,398</u>	<u>21,000</u>	<u>59</u>	<u>568,457</u>
Occupancy								
Rent and occupancy costs	-	-	-	-	-	83,956	-	83,956
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>83,956</u>	<u>-</u>	<u>83,956</u>
Communications and marketing								
Printing and reproduction	26	5,401	-	-	5,427	596	-	6,023
Advertising and video production	1,600	1,351,741	-	7,135	1,360,476	-	11,960	1,372,436
Other	1,538	25,142	63	-	26,743	438	-	27,181
	<u>3,164</u>	<u>1,382,284</u>	<u>63</u>	<u>7,135</u>	<u>1,392,646</u>	<u>1,034</u>	<u>11,960</u>	<u>1,405,640</u>
Technology fees								
Online voter registration	-	-	129,488	-	129,488	-	-	129,488
Catalist/Voter files	-	-	106,981	-	106,981	-	-	106,981
Email/web/mobile	42,634	1,182,867	21,307	20,984	1,267,792	3,847	489	1,272,128
	<u>42,634</u>	<u>1,182,867</u>	<u>257,776</u>	<u>20,984</u>	<u>1,504,261</u>	<u>3,847</u>	<u>489</u>	<u>1,508,597</u>
Other operating expenses								
Allocated program expenses	30,135	84,855	39,596	68,919	223,505	(260,772)	-	(37,267)
Insurance	-	-	-	-	-	-	-	-
Interest expense	-	-	-	-	-	-	-	-
Subgrant expenses	-	191,893	-	-	191,893	-	-	191,893
Other operating expenses	-	2,888	-	-	2,888	152,349	150	155,387
	<u>30,135</u>	<u>279,636</u>	<u>39,596</u>	<u>68,919</u>	<u>418,286</u>	<u>(108,423)</u>	<u>150</u>	<u>310,013</u>
In-kind expenses								
Data and professional services	-	3,704,863	13,872	-	3,718,735	3,300	37,267	3,759,302
	<u>-</u>	<u>3,704,863</u>	<u>13,872</u>	<u>-</u>	<u>3,718,735</u>	<u>3,300</u>	<u>37,267</u>	<u>3,759,302</u>
Total expenses	<u>\$ 235,241</u>	<u>\$ 8,070,741</u>	<u>\$ 573,647</u>	<u>\$ 388,657</u>	<u>\$ 9,268,286</u>	<u>\$ 363,306</u>	<u>\$ 295,229</u>	<u>\$ 9,926,821</u>

The accompanying notes are an integral part of these financial statements

STATEMENT OF CASH FLOWS

Rock the Vote

For the Year Ended December 31, 2016

Cash flows from operating activities	
Change in net assets	\$ (1,993,870)
Adjustments to reconcile change in net cash used in operating activities:	
Depreciation and amortization	49,930
Decrease in contributions and grants receivable	2,007,705
Increase in receivables - other	(50,689)
Increase in deposits	(10,575)
Decrease in prepaid expenses	38,094
Decrease in accounts payable and accrued expenses	<u>(47,630)</u>
Net cash used in operating activities	<u>(7,035)</u>
Cash flows from investing activities	
Property and equipment and intangible asset acquisitions (net of dispositions)	<u>(44,897)</u>
Net cash used in investing activities	<u>(44,897)</u>
Cash flows from financing activities	
Loan repayment to related organization	<u>(9,831)</u>
Net cash used in financing activities	<u>(9,831)</u>
Net decrease in cash	(61,763)
Cash balance - Beginning of the year	<u>722,282</u>
Cash balance - End of the year	<u><u>\$ 660,519</u></u>

The accompanying notes are an integral part of these financial statements

NOTES TO FINANCIAL STATEMENTS

Rock the Vote
December 31, 2016

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 \$1,000 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 \$3,722,035 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, 2016

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 2017. 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, 2016, 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 2013 through 2015 are open to examination by federal and state authorities.

9. Cash

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, 2016

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

Depreciation of computer equipment is calculated on a straight line basis over 3 years. Depreciation expense for 2016 is \$3,012 and accumulated depreciation as of December 31, 2016 is \$11,431.

NOTE D – INTANGIBLE PROPERTY

Intangible assets consist of trademark and logo acquisition costs and website and portal development costs which totaled \$724,062 as of December 31, 2016. The trademark and logo costs comprise \$230,044 of the total and are being amortized over 20 years. The website development costs totaled \$494,018 with amortization calculated on a straight line basis over 30 to 36 months. Amortization expense for 2016 is \$46,918 and accumulated amortization as of December 31, 2016 is \$561,539.

NOTE E – RESTRICTIONS ON NET ASSETS

There was \$115,770 in net assets that were subject to temporary donor restrictions as of December 31, 2016. Of these, \$15,770 was subject to use-restrictions meaning that their use was designated for a certain purpose or program. The remaining \$100,000 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 Registration Technology program.

As of December 31, 2016 there are no permanently restricted net assets.

NOTE F – CONTRIBUTIONS AND GRANTS

As of December 31, 2016 there were \$250,000 in contributions and grants receivable which are due in 2017.

NOTES TO FINANCIAL STATEMENTS

Rock the Vote
December 31, 2016

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 \$9,831. As of December 31, 2016, Rock the Vote owed the Action Fund \$110,150.

NOTE H – COMMITMENTS

Office Lease

Effective January 4, 2016, the Organization entered into an agreement for month-to-month office space.

Data Services

The Organization renewed their data license and service agreement beginning January 1, 2013 which is effective until December 31, 2017. Under the agreement the Organization is obligated to pay \$105,000 for 2017 with allowable discounts of \$5,250. The net cost is \$99,750 for 2017.

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 2016 the Organization contributed \$12,592 in matching retirement contributions.

NOTE J – SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through August 22, 2017 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, 2016 they had an uninsured cash balance of \$306,794.

ROCK THE VOTE

Financial Statements and Independent Auditor's Report

December 31, 2016

DENBURG & LOW, PA
Certified Public Accountants
1899 L Street, NW, Suite 1050
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