

ROCK THE VOTE

Financial Statements and Independent Auditor's Report

December 31, 2017

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Rock the Vote

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DENBURG & LOW, PA

*CERTIFIED PUBLIC ACCOUNTANTS
BUSINESS CONSULTANTS*

1129 20th Street, NW
Suite 500
Washington, DC 20036
voice: 202/785-5600
fax: 202/785-5605
e-mail: info@denburg.com

BALTIMORE OFFICE:
6000 Metro Drive
Suite 150
Baltimore, Maryland 21215
410/593-7100

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, 2017, 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, 2017, 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 cursive script that reads "Darling + Low". The signature is written in black ink and is positioned above the typed name and date.

Washington, DC
October 26, 2018

STATEMENT OF FINANCIAL POSITION

Rock the Vote

December 31, 2017

ASSETS

Cash	\$	287,857
Contributions and grants receivable		355,000
Receivables - other		2,672
Prepaid expenses		10,679
Property and equipment (Note C)		5,569
Deposits		8,485
Intangible property (Note D)		<u>162,875</u>
Total assets	\$	<u><u>833,137</u></u>

LIABILITIES

Accounts payable and accrued expenses	\$	67,355
Due to related organization (Note G)		<u>103,965</u>
Total liabilities		<u>171,320</u>

COMMITMENTS (Note H)

NET ASSETS

Unrestricted (Note E)		192,120
Temporarily restricted (Note E)		<u>469,697</u>
Total net assets		<u>661,817</u>
Total liabilities and net assets	\$	<u><u>833,137</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, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support and revenue			
Contributions and grants	\$ 396,437	\$ 600,000	\$ 996,437
Other revenue	10,070	-	10,070
Net assets released from program restrictions	246,073	(246,073)	-
	<u>652,580</u>	<u>353,927</u>	<u>1,006,507</u>
Total support and revenue			
Expenses			
Program services	1,105,334	-	1,105,334
General and administrative	167,134	-	167,134
Fund raising	65,020	-	65,020
	<u>1,337,488</u>	<u>-</u>	<u>1,337,488</u>
Total expenses			
Changes in net assets	(684,908)	353,927	(330,981)
Net assets - Beginning of year	<u>877,028</u>	<u>115,770</u>	<u>992,798</u>
Net assets - End of year	<u>\$ 192,120</u>	<u>\$ 469,697</u>	<u>\$ 661,817</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, 2017

	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	\$ 173,118	\$ 76,247	\$ 25,819	\$ 110,146	\$ 385,330	\$ 59,432	\$ 27,065	\$ 471,827
Payroll taxes	13,898	6,072	2,118	9,188	31,276	5,627	2,248	39,151
Employee benefits	25,752	11,033	3,918	15,461	56,164	13,765	4,186	74,115
	<u>212,768</u>	<u>93,352</u>	<u>31,855</u>	<u>134,795</u>	<u>472,770</u>	<u>78,824</u>	<u>33,499</u>	<u>585,093</u>
Professional Fees								
Accounting	-	-	-	-	-	94,214	-	94,214
Legal	-	-	-	-	-	25,815	-	25,815
Consultants and other	69,800	37,274	12,846	75,868	195,788	12,606	13,043	221,437
	<u>69,800</u>	<u>37,274</u>	<u>12,846</u>	<u>75,868</u>	<u>195,788</u>	<u>132,635</u>	<u>13,043</u>	<u>341,466</u>
Travel and meetings								
Travel, lodging, artists and fees	5,384	6,380	1,954	2,125	15,843	4,144	5,357	25,344
	<u>5,384</u>	<u>6,380</u>	<u>1,954</u>	<u>2,125</u>	<u>15,843</u>	<u>4,144</u>	<u>5,357</u>	<u>25,344</u>
Equipment and maintenance								
Dues and subscriptions	297	1,136	75	296	1,804	957	-	2,761
Computer and equipment	-	-	-	285	285	-	-	285
Depreciation and amortization	-	-	30,078	-	30,078	15,643	-	45,721
Equipment rental and other	(26)	111	-	-	85	438	-	523
	<u>271</u>	<u>1,247</u>	<u>30,153</u>	<u>581</u>	<u>32,252</u>	<u>17,038</u>	<u>-</u>	<u>49,290</u>
Occupancy								
Rent and occupancy costs	-	-	-	-	-	43,517	-	43,517
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>43,517</u>	<u>-</u>	<u>43,517</u>
Communications and marketing								
Printing and reproduction	89	-	-	-	89	748	-	837
Advertising and video production	-	157	-	-	157	-	-	157
Other	30	37	17	-	84	45	15	144
	<u>119</u>	<u>194</u>	<u>17</u>	<u>-</u>	<u>330</u>	<u>793</u>	<u>15</u>	<u>1,138</u>
Technology fees								
Online voter registration	-	-	5,242	-	5,242	-	-	5,242
Catalist/Voter files	5,819	-	89,775	-	95,594	-	4,156	99,750
Email/web/mobile	28,507	78,228	21,201	26,257	154,193	4,457	-	158,650
	<u>34,326</u>	<u>78,228</u>	<u>116,218</u>	<u>26,257</u>	<u>255,029</u>	<u>4,457</u>	<u>4,156</u>	<u>263,642</u>
Other operating expenses								
Allocated program expenses	58,622	26,096	9,238	34,053	128,009	(136,959)	8,950	-
Insurance	-	-	-	-	-	17,530	-	17,530
Other operating expenses	-	-	-	-	-	1,586	-	1,586
	<u>58,622</u>	<u>26,096</u>	<u>9,238</u>	<u>34,053</u>	<u>128,009</u>	<u>(117,843)</u>	<u>8,950</u>	<u>19,116</u>
In-kind expenses								
Data and professional services	-	-	5,313	-	5,313	3,569	-	8,882
	<u>-</u>	<u>-</u>	<u>5,313</u>	<u>-</u>	<u>5,313</u>	<u>3,569</u>	<u>-</u>	<u>8,882</u>
Total expenses	<u>\$ 381,290</u>	<u>\$ 242,771</u>	<u>\$ 207,594</u>	<u>\$ 273,679</u>	<u>\$ 1,105,334</u>	<u>\$ 167,134</u>	<u>\$ 65,020</u>	<u>\$ 1,337,488</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, 2017

Cash flows from operating activities	
Change in net assets	\$ (330,981)
Adjustments to reconcile change in net cash used in operating activities:	
Depreciation and amortization	45,721
Increase in contributions and grants receivable	(54,311)
Increase in receivables - other	(2,672)
Decrease in deposits	6,090
Decrease in prepaid expenses	53
Increase in accounts payable and accrued expenses	<u>11,555</u>
Net cash used in operating activities	<u>(324,545)</u>
Cash flows from investing activities	
Property and equipment and intangible asset acquisitions (net of dispositions)	<u>(41,932)</u>
Net cash used in investing activities	<u>(41,932)</u>
Cash flows from financing activities	
Loan repayment to related organization	<u>(6,185)</u>
Net cash used in financing activities	<u>(6,185)</u>
Net decrease in cash	(372,662)
Cash balance - Beginning of the year	<u>660,519</u>
Cash balance - End of the year	<u>\$ 287,857</u>

The accompanying notes are an integral part of these financial statements

NOTES TO FINANCIAL STATEMENTS

Rock the Vote
December 31, 2017

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 \$8,882 during the year for the benefit of the Voting Rights Program and Administration. These income and expense items are included in the financial statements.

NOTES TO FINANCIAL STATEMENTS

Rock the Vote
December 31, 2017

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 2018 except for \$50,000 which is due in 2019. 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, 2017, 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 2014 through 2016 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, 2017

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 2017 is \$4,141 and accumulated depreciation as of December 31, 2017 is \$14,409.

NOTE D – INTANGIBLE PROPERTY

Intangible assets consist of trademark and logo acquisition costs and website and portal development costs which totaled \$765,994 as of December 31, 2017. The trademark and logo costs comprise \$230,044 of the total and are being amortized over 20 years. The website development costs totaled \$535,950 with amortization calculated on a straight line basis over 30 to 36 months. Amortization expense for 2017 is \$41,580 and accumulated amortization as of December 31, 2017 is \$603,119.

NOTE E – RESTRICTIONS ON NET ASSETS

There was \$469,697 in net assets that were subject to temporary donor restrictions as of December 31, 2017. Of these, \$119,697 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 Registration Technology program.

As of December 31, 2017 there are no permanently restricted net assets.

NOTE F – CONTRIBUTIONS AND GRANTS

As of December 31, 2017 there were \$305,000 in contributions and grants receivable which are due in 2018 and \$50,000 which is due in 2019.

NOTES TO FINANCIAL STATEMENTS

Rock the Vote
December 31, 2017

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 \$6,185. As of December 31, 2017, Rock the Vote owed the Action Fund \$103,965.

NOTE H – COMMITMENTS

Office Lease

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

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 2017 the Organization contributed \$9,081 in matching retirement contributions.

NOTE J – SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through October 26, 2018 which is the date the financial statements were available to be issued.

NOTE K – CONCENTRATION OF RISK

As of December 31, 2017 the Organization had no uninsured cash balance.

ROCK THE VOTE

Financial Statements and Independent Auditor's Report

December 31, 2017

DENBURG & LOW, PA
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1129 20th Street, NW, Suite 500
Washington, DC 20036