

ROCK THE VOTE

Financial Statements and Independent Auditor's Report

December 31, 2018

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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, 2018, 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, 2018, 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
March 2, 2020

STATEMENT OF FINANCIAL POSITION

Rock the Vote

December 31, 2018

ASSETS

Cash	\$ 1,001,736
Contributions and grants receivable, net (Note F)	544,959
Prepaid expenses	19,801
Property and equipment (Note C)	1,350
Deposits	15,370
Intangible property (Note D)	<u>166,145</u>
Total assets	<u>\$ 1,749,361</u>

LIABILITIES

Accounts payable and accrued expenses	\$ 34,848
Due to related organization (Note G)	<u>28,465</u>
Total liabilities	<u>63,313</u>

COMMITMENTS (Note H)

NET ASSETS

Without donor restrictions (Note E)	1,357,883
With donor restrictions (Note E)	<u>328,165</u>
Total net assets	<u>1,686,048</u>
Total liabilities and net assets	<u>\$ 1,749,361</u>

The accompanying notes are an integral part of these financial statements

STATEMENT OF ACTIVITIES

Rock the Vote

For the Year Ended December 31, 2018

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Support and revenue			
Contributions and grants	\$ 2,083,128	\$ 362,166	\$ 2,445,294
Other revenue	65,250	-	65,250
Present value discount	(5,134)	-	(5,134)
Net assets released from donor restrictions	<u>503,698</u>	<u>(503,698)</u>	<u>-</u>
Total support and revenue	<u>2,646,942</u>	<u>(141,532)</u>	<u>2,505,410</u>
Expenses			
Program services	1,229,598	-	1,229,598
General and administrative	184,192	-	184,192
Fundraising	<u>67,389</u>	<u>-</u>	<u>67,389</u>
Total expenses	<u>1,481,179</u>	<u>-</u>	<u>1,481,179</u>
Changes in net assets	1,165,763	(141,532)	1,024,231
Net assets - Beginning of year	<u>192,120</u>	<u>469,697</u>	<u>661,817</u>
Net assets - End of year	<u>\$ 1,357,883</u>	<u>\$ 328,165</u>	<u>\$ 1,686,048</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, 2018

	Program Services					Supporting Services		Total Programs & Supporting Services
	Civic Education	Registration Technology	Voting Rights	Culture of Voting	Total Programs	General and Administrative	Fund Raising	
Staff and benefits								
Salaries and staff compensation	\$ 130,628	\$ 87,748	\$ 46,596	\$ 4,971	\$ 269,943	\$ 26,153	\$ 27,089	\$ 323,185
Payroll taxes	10,875	6,813	4,219	439	22,346	3,473	2,248	28,067
Employee benefits	18,057	12,430	6,162	697	37,346	3,272	3,837	44,455
	<u>159,560</u>	<u>106,991</u>	<u>56,977</u>	<u>6,107</u>	<u>329,635</u>	<u>32,898</u>	<u>33,174</u>	<u>395,707</u>
Professional Fees								
Accounting	-	-	-	-	-	100,103	-	100,103
Legal	-	-	-	-	-	19,596	-	19,596
Consultants and other	22,973	43,757	64,780	82,746	214,256	49,432	17,625	281,313
	<u>22,973</u>	<u>43,757</u>	<u>64,780</u>	<u>82,746</u>	<u>214,256</u>	<u>169,131</u>	<u>17,625</u>	<u>401,012</u>
Travel and meetings								
Travel, lodging, artists and fees	23,370	13,715	2,521	2,590	42,196	2,587	2,079	46,862
	<u>23,370</u>	<u>13,715</u>	<u>2,521</u>	<u>2,590</u>	<u>42,196</u>	<u>2,587</u>	<u>2,079</u>	<u>46,862</u>
Equipment and maintenance								
Dues and subscriptions	-	459	562	1,750	2,771	2,482	-	5,253
Computer and equipment	-	-	-	-	-	-	-	-
Depreciation and amortization	-	-	2,549	-	2,549	41,331	-	43,880
Equipment rental and other	15	3,714	-	-	3,729	29	-	3,758
	<u>15</u>	<u>4,173</u>	<u>3,111</u>	<u>1,750</u>	<u>9,049</u>	<u>43,842</u>	<u>-</u>	<u>52,891</u>
Occupancy								
Rent and occupancy costs	-	-	-	-	-	77,465	-	77,465
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>77,465</u>	<u>-</u>	<u>77,465</u>
Communications and marketing								
Printing and reproduction	-	2,663	-	-	2,663	-	-	2,663
Advertising and video production	-	50,161	-	1,750	51,911	-	300	52,211
Other	13	3,901	-	343	4,257	902	32	5,191
	<u>13</u>	<u>56,725</u>	<u>-</u>	<u>2,093</u>	<u>58,831</u>	<u>902</u>	<u>332</u>	<u>60,065</u>
Technology fees								
Online voter registration	-	-	37,564	-	37,564	-	-	37,564
Catalist/Voter files	-	18,956	-	-	18,956	-	-	18,956
Email/web/mobile	23,094	59,294	10,489	94,320	187,197	4,552	-	191,749
	<u>23,094</u>	<u>78,250</u>	<u>48,053</u>	<u>94,320</u>	<u>243,717</u>	<u>4,552</u>	<u>-</u>	<u>248,269</u>
Other operating expenses								
Allocated program expenses	75,998	48,805	25,347	3,514	153,664	(167,843)	14,179	-
Insurance	-	-	-	-	-	10,825	-	10,825
Other operating expenses	-	52,250	-	-	52,250	6,358	-	58,608
	<u>75,998</u>	<u>101,055</u>	<u>25,347</u>	<u>3,514</u>	<u>205,914</u>	<u>(150,660)</u>	<u>14,179</u>	<u>69,433</u>
In-kind expenses								
Data and professional services	-	-	126,000	-	126,000	3,475	-	129,475
	<u>-</u>	<u>-</u>	<u>126,000</u>	<u>-</u>	<u>126,000</u>	<u>3,475</u>	<u>-</u>	<u>129,475</u>
Total expenses	<u>\$ 305,023</u>	<u>\$ 404,666</u>	<u>\$ 326,789</u>	<u>\$ 193,120</u>	<u>\$ 1,229,598</u>	<u>\$ 184,192</u>	<u>\$ 67,389</u>	<u>\$ 1,481,179</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, 2018

Cash flows from operating activities	
Change in net assets	\$ 1,024,231
Adjustments to reconcile change in net cash used in operating activities:	
Depreciation and amortization	43,880
Increase in contributions and grants receivable	(189,959)
Decrease in receivables - other	2,672
Increase in deposits	(6,885)
Increase in prepaid expenses	(9,122)
Decrease in accounts payable and accrued expenses	<u>(32,507)</u>
Net cash provided by operating activities	<u>832,310</u>
Cash flows from investing activities	
Property and equipment and intangible asset acquisitions (net of dispositions)	<u>(42,931)</u>
Net cash used in investing activities	<u>(42,931)</u>
Cash flows from financing activities	
Loan repayment to related organization	<u>(75,500)</u>
Net cash used in financing activities	<u>(75,500)</u>
Net increase in cash	713,879
Cash balance - Beginning of the year	<u>287,857</u>
Cash balance - End of the year	<u><u>\$ 1,001,736</u></u>

The accompanying notes are an integral part of these financial statements

NOTES TO FINANCIAL STATEMENTS

Rock the Vote
December 31, 2018

NOTE A - ORGANIZATION

Rock the Vote (The Organization), 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. Recent Accounting Pronouncement

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, Presentation of Financial Statements for Not-for-Profit Entities. This ASU intends to make certain improvements to the current reporting requirements for not-for-profit entities. This standard sets forth changes to net asset classification requirements and the information presented about a not-for-profit entity's liquidity, financial performance and cash flows. The Organization adopted ASU 2016-14 in its financial statements effective December 31, 2018, applying retrospectively to all periods presented. The impact of adoption changes the classification of net assets on the statement of financial position as of December 31, 2018, and the related statements of activities, functional expenses and cash flows from three classes of net assets to two classes of net assets. The Organization also added disclosure for the liquidity and availability of financial assets at the balance sheet date to meet cash needs for general expenditures within one year and disaggregated functional expense classifications by their natural expense classification. The impact of adopting ASU 2016-14 had no impact to total unrestricted revenues, excess of revenues over expenses or total net assets.

NOTES TO FINANCIAL STATEMENTS

Rock the Vote
December 31, 2018

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3. Recent Accounting Pronouncement (continued)

Donated goods and services are reflected as contributions at their estimated fair market value at the time of receipt. See Note B-5.

4. 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.

5. 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 \$129,475 during the year for the benefit of the Voting Rights Program and Administration. These income and expense items are included in the financial statements.

6. Promises to give

Contributions and grants are recognized when the donor makes an unconditional promise to give to the Organization. All donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions. If a contribution is given that carries a restriction, but the restriction lapses in the same year, those contributions are presented as without donor restriction. Contributions and grants receivable are due in 2019 except for \$100,000 which is due in 2020. See Note F.

7. Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions - Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

NOTES TO FINANCIAL STATEMENTS

Rock the Vote
December 31, 2018

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

7. Net Assets (continued)

Net Assets With Donor Restrictions - Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that the resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

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, 2018, 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 2015 through 2017 are open to examination by federal and state authorities.

10. Cash

For financial 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. Expenses that benefit multiple programs are accumulated monthly and allocated among the various programs based on the relative salaries allocated to each program.

NOTES TO FINANCIAL STATEMENTS

Rock the Vote
December 31, 2018

NOTE C – PROPERTY AND EQUIPMENT

Depreciation of computer equipment is calculated on a straight line basis over 3 years. Depreciation expense for 2018 is \$4,000, cost is \$18,851 and accumulated depreciation is \$17,501 as of December 31, 2018.

NOTE D – INTANGIBLE PROPERTY

Intangible assets consist of trademark and logo acquisition costs and website and portal development costs which totaled \$809,144 as of December 31, 2018. The trademark and logo costs comprise \$230,044 of the total and are being amortized over 20 years. The website development costs totaled \$579,100 with amortization calculated on a straight line basis over 30 to 36 months. Amortization expense for 2018 is \$39,880 and accumulated amortization as of December 31, 2018 is \$642,999.

NOTE E – RESTRICTIONS ON NET ASSETS

There was \$328,165 in net assets that were subject to donor restrictions as of December 31, 2018. All of these are 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.

NOTE F – CONTRIBUTIONS AND GRANTS RECEIVABLE

As of December 31, 2018 there were \$550,093 in contributions and grants receivable which includes \$450,093 that is due in 2019 and \$100,000 that is due in 2020. The receivables are presented net of a future-value discount of \$5,134.

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 \$75,500. As of December 31, 2018, Rock the Vote owed the Action Fund \$28,465.

NOTES TO FINANCIAL STATEMENTS

Rock the Vote
December 31, 2018

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 entered into a service agreement beginning January 1, 2018 which is effective until December 31, 2019. Under the agreement the Organization is obligated to pay \$110,250 for 2019 with allowable discounts of \$59,950. The net cost is \$50,300 for 2019.

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 2018 the Organization contributed \$8,318 in matching retirement contributions.

NOTE J – SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through March 2, 2020 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, 2018 the Organization had an uninsured cash balance of \$751,736.

ROCK THE VOTE

Financial Statements and Independent Auditor's Report

December 31, 2018

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