

ROCK THE VOTE

Financial Statements and Independent Auditor's Report

December 31, 2019

DENBURG & LOW, PA
Certified Public Accountants
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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
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, 2019, 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, 2019, 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 text of the firm's name.

Washington, DC
August 2, 2021

STATEMENT OF FINANCIAL POSITION

Rock the Vote

December 31, 2019

ASSETS

Cash	\$	737,364
Contributions and grants receivable, net (Note F)		747,925
Prepaid expenses		22,450
Property and equipment (Note C)		3,313
Due from related organization (Note G)		40,489
Deposits		15,370
Intangible property (Note D)		<u>135,189</u>
Total assets	\$	<u><u>1,702,101</u></u>

LIABILITIES

Accounts payable and accrued expenses	\$	<u>41,465</u>
Total liabilities		<u>41,465</u>

COMMITMENTS (Note H)

NET ASSETS

Without donor restrictions (Note E)		789,507
With donor restrictions (Note E)		<u>871,129</u>
Total net assets		<u>1,660,636</u>
Total liabilities and net assets	\$	<u><u>1,702,101</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, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue			
Contributions and grants	\$ 670,526	\$ 822,738	\$ 1,493,264
Other revenue	250	-	250
Present value discount	5,134	-	5,134
Net assets released from donor restrictions	279,774	(279,774)	-
Total support and revenue	955,684	542,964	1,498,648
Expenses			
Program services	1,252,934	-	1,252,934
General and administrative	210,461	-	210,461
Fundraising	60,665	-	60,665
Total expenses	1,524,060	-	1,524,060
Changes in net assets	(568,376)	542,964	(25,412)
Net assets - Beginning of year	1,357,883	328,165	1,686,048
Net assets - End of year	\$ 789,507	\$ 871,129	\$ 1,660,636

The accompanying notes are an integral part of these financial statements

STATEMENT OF FUNCTIONAL EXPENSES

Rock the Vote

For the Year Ended December 31, 2019

	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	\$ 155,967	\$ 81,681	\$ 46,495	\$ 17,679	\$ 301,822	\$ 29,710	\$ 25,514	\$ 357,046
Payroll taxes	13,055	7,254	3,843	1,466	25,618	2,701	2,291	30,610
Employee benefits	23,857	11,600	6,596	2,476	44,529	4,667	3,382	52,578
	<u>192,879</u>	<u>100,535</u>	<u>56,934</u>	<u>21,621</u>	<u>371,969</u>	<u>37,078</u>	<u>31,187</u>	<u>440,234</u>
Professional Fees								
Accounting	-	-	-	-	-	74,627	-	74,627
Legal	-	-	-	-	-	50,127	-	50,127
Consultants and other	53,961	29,438	40,614	167,746	291,759	29,685	15,854	337,298
	<u>53,961</u>	<u>29,438</u>	<u>40,614</u>	<u>167,746</u>	<u>291,759</u>	<u>154,439</u>	<u>15,854</u>	<u>462,052</u>
Travel and meetings								
Travel, lodging, artists and fees	9,977	5,731	4,608	229	20,545	839	2,585	23,969
	<u>9,977</u>	<u>5,731</u>	<u>4,608</u>	<u>229</u>	<u>20,545</u>	<u>839</u>	<u>2,585</u>	<u>23,969</u>
Equipment and maintenance								
Dues and subscriptions	787	412	246	12	1,457	1,337	129	2,923
Computer and equipment	787	412	235	89	1,523	150	129	1,802
Depreciation and amortization	5,614	2,940	28,386	636	37,576	1,069	918	39,563
Equipment rental and other	1,728	55	22	9	1,814	103	12	1,929
	<u>8,916</u>	<u>3,819</u>	<u>28,889</u>	<u>746</u>	<u>42,370</u>	<u>2,659</u>	<u>1,188</u>	<u>46,217</u>
Occupancy								
Rent and occupancy costs	24,379	12,767	7,268	2,763	47,177	4,860	3,988	56,025
	<u>24,379</u>	<u>12,767</u>	<u>7,268</u>	<u>2,763</u>	<u>47,177</u>	<u>4,860</u>	<u>3,988</u>	<u>56,025</u>
Communications and marketing								
Printing and reproduction	1,051	2,376	19	7	3,453	370	211	4,034
Advertising and video production	775	389	12,325	-	13,489	-	750	14,239
Other	227	2,285	68	46	2,626	68	37	2,731
	<u>2,053</u>	<u>5,050</u>	<u>12,412</u>	<u>53</u>	<u>19,568</u>	<u>438</u>	<u>998</u>	<u>21,004</u>
Technology fees								
Online voter registration	-	-	34,688	-	34,688	-	-	34,688
Catalist/Voter files	-	50,300	-	-	50,300	-	-	50,300
Election Related Data	11,700	-	-	-	11,700	-	-	11,700
Email/web/mobile	59,753	35,334	20,388	77,755	193,230	4,255	3,697	201,182
	<u>71,453</u>	<u>85,634</u>	<u>55,076</u>	<u>77,755</u>	<u>289,918</u>	<u>4,255</u>	<u>3,697</u>	<u>297,870</u>
Other operating expenses								
Allocated program expenses	-	-	-	-	-	-	-	-
Insurance	6,006	3,068	1,746	664	11,484	1,116	958	13,558
Other operating expenses	1,278	670	382	145	2,475	377	210	3,062
	<u>7,284</u>	<u>3,738</u>	<u>2,128</u>	<u>809</u>	<u>13,959</u>	<u>1,493</u>	<u>1,168</u>	<u>16,620</u>
In-kind expenses								
Data and professional services	-	146,685	4,492	4,492	155,669	4,400	-	160,069
	<u>-</u>	<u>146,685</u>	<u>4,492</u>	<u>4,492</u>	<u>155,669</u>	<u>4,400</u>	<u>-</u>	<u>160,069</u>
Total expenses	<u>\$ 370,902</u>	<u>\$ 393,397</u>	<u>\$ 212,421</u>	<u>\$ 276,214</u>	<u>\$ 1,252,934</u>	<u>\$ 210,461</u>	<u>\$ 60,665</u>	<u>\$ 1,524,060</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, 2019

Cash flows from operating activities	
Change in net assets	\$ (25,412)
Adjustments to reconcile change in net cash used in operating activities:	
Depreciation and amortization	39,566
Increase in contributions and grants receivable	(202,966)
Increase in prepaid expenses	(2,649)
Increase in accounts payable and accrued expenses	<u>6,617</u>
Net cash used by operating activities	<u>(184,845)</u>
Cash flows from investing activities	
Property and equipment and intangible asset acquisitions (net of dispositions)	<u>(10,573)</u>
Net cash used in investing activities	<u>(10,573)</u>
Cash flows from financing activities	
Loan repayment to related organization	(28,465)
Loan to related organization	<u>(40,489)</u>
Net cash used in financing activities	<u>(68,954)</u>
Net decrease in cash	(264,372)
Cash balance - Beginning of the year	<u>1,001,736</u>
Cash balance - End of the year	<u><u>\$ 737,364</u></u>

The accompanying notes are an integral part of these financial statements

NOTES TO FINANCIAL STATEMENTS

Rock the Vote
December 31, 2019

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, 2019

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 \$160,069 during the year for the benefit of the Registration Technology Program, Voting Rights Program, Culture of Voting 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 2020 except for \$200,000 which is due in 2021. 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, 2019

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 2016 through 2018 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, 2019

NOTE C – PROPERTY AND EQUIPMENT

Depreciation of computer equipment is calculated on a straight line basis over 3 years. Depreciation expense for 2019 is \$1,350, cost is \$22,164 and accumulated depreciation is \$18,851 as of December 31, 2019.

NOTE D – INTANGIBLE PROPERTY

Intangible assets consist of trademark and logo acquisition costs and website and portal development costs which totaled \$816,404 as of December 31, 2019. The trademark and logo costs comprise \$230,044 of the total and are being amortized over 20 years. The website development costs totaled \$586,360 with amortization calculated on a straight line basis over 30 to 36 months. Amortization expense for 2019 is \$38,216 and accumulated amortization as of December 31, 2019 is \$681,214.

NOTE E – RESTRICTIONS ON NET ASSETS

There was \$871,129 in net assets that were subject to donor restrictions as of December 31, 2019. 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, 2019 there were \$753,059 in contributions and grants receivable which includes \$567,925 that is due in 2020 and \$200,000 that is due in 2021.

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 \$68,954. As of December 31, 2019, the Action Fund owed Rock the Vote \$28,465.

NOTE H – COMMITMENTS

Office Lease

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

NOTES TO FINANCIAL STATEMENTS

Rock the Vote
December 31, 2019

NOTE H – COMMITMENTS (CONTINUED)

Data Services

The Organization renewed their data license and service agreement beginning January 1, 2020 which is effective until December 31, 2021. Under the agreement the Organization is obligated to pay \$129,000 for 2020 and \$114,000 for 2021 with allowable discounts of \$50,400 and \$44,400, respectively. The net cost is \$78,600 for 2020 and \$69,600 for 2021.

Mobile Text and Web Services

The Organization entered into an agreement which is effective from April 1, 2019 through March 31, 2021. Under the terms of the agreement, the Organization pays \$6,350 per month. The minimum future obligation under his agreement is \$95,250.

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 2019 the Organization contributed \$10,211 in matching retirement contributions.

NOTE J – SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through August 2, 2021 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, 2019 the Organization had an uninsured cash balance of \$487,364.