

ROCK THE VOTE

Financial Statements and Independent Auditor's Report

December 31, 2021

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Rock the Vote

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Rock the Vote

Opinion

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, 2021, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

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, 2021, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Rock the Vote and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Rock the Vote's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Rock the Vote's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Rock the Vote's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.



Washington, DC
November 14, 2022

STATEMENT OF FINANCIAL POSITION

Rock the Vote

December 31, 2021

ASSETS

Cash	\$ 1,203,149
Contributions and grants receivable, net (Note F)	137,500
Accrued revenue	17,000
Prepaid expenses	36,436
Property and equipment (Note C)	316
Due from related organization (Note G)	137,709
Deposits	22,480
Intangible property (Note D)	<u>183,604</u>
Total assets	<u><u>\$ 1,738,194</u></u>

LIABILITIES

Accounts payable and accrued expenses	<u>\$ 118,314</u>
Total liabilities	<u>118,314</u>

COMMITMENTS (Note H)

NET ASSETS

Without donor restrictions (Note E)	1,519,880
With donor restrictions (Note E)	<u>100,000</u>
Total net assets	<u>1,619,880</u>
Total liabilities and net assets	<u><u>\$ 1,738,194</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, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue			
Contributions and grants	\$ 1,227,421	\$ 150,000	\$ 1,377,421
Other revenue	3,487	-	3,487
Net assets released from donor restrictions	559,375	(559,375)	-
Total support and revenue	1,790,283	(409,375)	1,380,908
Expenses			
Program services	2,317,097	-	2,317,097
General and administrative	448,865	-	448,865
Fundraising	74,615	-	74,615
Total expenses	2,840,577	-	2,840,577
Changes in net assets	(1,050,294)	(409,375)	(1,459,669)
Net assets - Beginning of year	2,570,174	509,375	3,079,549
Net assets - End of year	\$ 1,519,880	\$ 100,000	\$ 1,619,880

The accompanying notes are an integral part of these financial statements

STATEMENT OF FUNCTIONAL EXPENSES

Rock the Vote

For the Year Ended December 31, 2021

	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	\$ 174,953	\$ 153,570	\$ 119,853	\$ 32,165	\$ 480,541	\$ 97,891	\$ 16,254	\$ 594,686
Payroll taxes	15,587	13,617	10,592	2,872	42,668	8,855	1,465	52,988
Employee benefits	21,806	18,695	14,558	4,090	59,149	12,078	2,078	73,305
	<u>212,346</u>	<u>185,882</u>	<u>145,003</u>	<u>39,127</u>	<u>582,358</u>	<u>118,824</u>	<u>19,797</u>	<u>720,979</u>
Professional Fees								
Accounting	-	-	-	-	-	120,549	-	120,549
Legal	6,068	1,418	-	-	7,486	24,151	-	31,637
Consultants and other	467,212	36,992	139,728	202,304	846,236	174,375	49,063	1,069,674
	<u>473,280</u>	<u>38,410</u>	<u>139,728</u>	<u>202,304</u>	<u>853,722</u>	<u>319,075</u>	<u>49,063</u>	<u>1,221,860</u>
Travel and meetings								
Travel, lodging, artists and fees	62,608	-	36	-	62,644	496	-	63,140
	<u>62,608</u>	<u>-</u>	<u>36</u>	<u>-</u>	<u>62,644</u>	<u>496</u>	<u>-</u>	<u>63,140</u>
Equipment and maintenance								
Dues and subscriptions	19	-	(3,962)	1,122	(2,821)	13,514	-	10,693
Computer and equipment	-	-	164	-	164	5,902	-	6,066
Depreciation and amortization	-	-	78,412	-	78,412	11,502	-	89,914
Equipment rental and other	45,469	30	-	-	45,499	95	-	45,594
	<u>45,488</u>	<u>30</u>	<u>74,614</u>	<u>1,122</u>	<u>121,254</u>	<u>31,013</u>	<u>-</u>	<u>152,267</u>
Occupancy								
Rent and occupancy costs	-	-	(19)	-	(19)	55,573	-	55,554
	<u>-</u>	<u>-</u>	<u>(19)</u>	<u>-</u>	<u>(19)</u>	<u>55,573</u>	<u>-</u>	<u>55,554</u>
Communications and marketing								
Printing and reproduction	25,441	1,567	3,227	-	30,235	-	-	30,235
Advertising and video production	10,885	-	-	79	10,964	-	-	10,964
Other	77,776	648	1,000	(18)	79,406	1,892	-	81,298
	<u>114,102</u>	<u>2,215</u>	<u>4,227</u>	<u>61</u>	<u>120,605</u>	<u>1,892</u>	<u>-</u>	<u>122,497</u>
Technology fees								
Online voter registration	-	-	128,370	-	128,370	-	-	128,370
Catalist/Voter files	-	69,600	-	-	69,600	-	-	69,600
Election Related Data	2,925	-	-	-	2,925	11,700	-	14,625
Email/web/mobile	88,622	31,086	38,598	32,239	190,545	20,956	-	211,501
	<u>91,547</u>	<u>100,686</u>	<u>166,968</u>	<u>32,239</u>	<u>391,440</u>	<u>32,656</u>	<u>-</u>	<u>424,096</u>
Other operating expenses								
Allocated program expenses	54,411	40,396	34,578	11,298	140,683	(146,440)	5,755	(2)
Bad debt expense	-	-	-	-	-	11,305	-	11,305
Insurance	-	-	-	-	-	20,621	-	20,621
Other operating expenses	10	-	-	-	10	-	-	10
	<u>54,421</u>	<u>40,396</u>	<u>34,578</u>	<u>11,298</u>	<u>140,693</u>	<u>(114,514)</u>	<u>5,755</u>	<u>31,934</u>
In-kind expenses								
Data and professional services	-	44,400	-	-	44,400	3,850	-	48,250
	<u>-</u>	<u>44,400</u>	<u>-</u>	<u>-</u>	<u>44,400</u>	<u>3,850</u>	<u>-</u>	<u>48,250</u>
Total expenses	<u>\$ 1,053,792</u>	<u>\$ 412,019</u>	<u>\$ 565,135</u>	<u>\$ 286,151</u>	<u>\$ 2,317,097</u>	<u>\$ 448,865</u>	<u>\$ 74,615</u>	<u>\$ 2,840,577</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, 2021

Cash flows from operating activities	
Change in net assets	\$ (1,459,669)
Adjustments to reconcile change in net cash used in operating activities:	
Depreciation and amortization	89,914
Decrease in contributions and grants receivable	507,000
Decrease in accrued revenue	3,841
Decrease in deposits	3,450
Increase in prepaid expenses	(1,491)
Increase in accounts payable and accrued expenses	72,322
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Net cash used in operating activities	(784,633)
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Cash flows from investing activities	
Property and equipment and intangible asset acquisitions (net of dispositions)	-
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Net cash used in investing activities	-
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Cash flows from financing activities	
Loan to related organization	(53,872)
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Net cash used in financing activities	(53,872)
	<hr/>
Net decrease in cash	(838,505)
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Cash balance - Beginning of the year	2,041,654
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Cash balance - End of the year	\$ 1,203,149
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The accompanying notes are an integral part of these financial statements

NOTES TO FINANCIAL STATEMENTS

Rock the Vote
December 31, 2021

NOTE A - ORGANIZATION

Rock the Vote (The Organization), a non-profit corporation, was organized in Washington, DC on December 27, 2005. The Organization was 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, including donated goods and services, 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 \$48,250 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.

NOTES TO FINANCIAL STATEMENTS

Rock the Vote

December 31, 2021

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 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 2022 except for \$50,000 which is due in 2023. See Note F.

6 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.

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.

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.

NOTES TO FINANCIAL STATEMENTS

Rock the Vote

December 31, 2021

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

8. Income taxes (continued)

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, 2021, 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 2019 through 2021 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.

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. 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 2021 is \$4,491, cost is \$29,754 and accumulated depreciation is \$29,438 as of December 31, 2021.

NOTE D – INTANGIBLE PROPERTY

Intangible assets consist of trademark and logo acquisition costs and website and portal development costs which totaled \$1,006,461 as of December 31, 2021. The trademark and logo costs comprise \$230,044 of the total and are being amortized over 20 years. The website development costs totaled \$776,417 with amortization calculated on a straight line basis over 30 to 36 months. Amortization expense for 2021 is \$85,423 and accumulated amortization as of December 31, 2021 is \$822,857.

NOTES TO FINANCIAL STATEMENTS

Rock the Vote

December 31, 2021

NOTE E –RESTRICTIONS ON NET ASSETS

There was \$100,000 in net assets that were subject to donor restrictions as of December 31, 2021. 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, 2021 there were \$137,500 in contributions and grants receivable which includes \$87,500 that is due in 2022 and \$50,000 that is due in 2023.

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 \$53,872. As of December 31, 2021, the Action Fund owed Rock the Vote \$137,709.

NOTE H – COMMITMENTS

Office Lease

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

The Organization started making a commitment longer than a month in April, 2017 while keeping month-to-month office space as well. The minimum future obligation under DC office lease is \$29,279, all for 2022.

Data Services

The Organization renewed their data license and service agreement beginning January 1, 2022 which is effective until December 31, 2024. Under the agreement the Organization is obligated to pay \$15,000 for 2022.

Mobile Text and Web Services

The Organization entered into an agreement which is effective from April 1, 2021 through March 31, 2023. Under the terms of the agreement, the Organization pays \$4,305 per month. The minimum future obligation under his agreement is \$51,660.

NOTES TO FINANCIAL STATEMENTS

Rock the Vote

December 31, 2021

NOTE H – COMMITMENTS (CONTINUED)

Consulting Agreements

The Organization entered into an agreement with David Pruter which is effective from April 1, 2021 through March 31, 2022 for consulting services. Under the terms of the agreement, the Organization will pay \$30,450 in 2022.

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 2021 the Organization contributed \$12,024 in matching retirement contributions.

NOTE J – SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through November 14, 2022 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, 2021 the Organization had an uninsured cash balance of \$953,149.