

**FINANCIAL STATEMENTS**

# **STATE VOICES**

**FOR THE YEAR ENDED DECEMBER 31, 2014  
WITH SUMMARIZED FINANCIAL  
INFORMATION FOR 2013**

## STATE VOICES

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### INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
State Voices  
Washington, D.C.

We have audited the accompanying financial statements of State Voices which comprise the statement of financial position as of December 31, 2014, and the related statements of activities and change in net assets, 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 State Voices as of December 31, 2014, and the change 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.

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### **Report on Summarized Comparative Information**

The prior year summarized comparative information has been derived from State Voices' 2013 financial statements, which were audited by other auditors and, in their report dated July 31, 2014, they expressed an unmodified opinion on those statements.

*Gelman Rosenberg & Freedman*

September 24, 2015

**STATE VOICES**  
**STATEMENT OF FINANCIAL POSITION**  
**AS OF DECEMBER 31, 2014**  
**WITH SUMMARIZED FINANCIAL INFORMATION FOR 2013**

<b>ASSETS</b>		<u>2014</u>	<u>2013</u>
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	\$	3,708,886	\$ 4,163,773
Contributions and grants receivable		2,169,246	889,861
Other receivable		626	-
Prepaid expenses		<u>37,489</u>	<u>37,586</u>
Total current assets		<u>5,916,247</u>	<u>5,091,220</u>
<b>FIXED ASSETS</b>			
Equipment		178,292	166,318
Less: Accumulated depreciation and amortization		<u>(132,665)</u>	<u>(116,174)</u>
Net fixed assets		<u>45,627</u>	<u>50,144</u>
<b>OTHER ASSETS</b>			
Contributions and grants receivable, net of current portion		197,500	-
Security deposit		<u>16,198</u>	<u>16,198</u>
<b>TOTAL ASSETS</b>		<b><u>\$ 6,175,572</u></b>	<b><u>\$ 5,157,562</u></b>
<b>LIABILITIES AND NET ASSETS</b>			
<b>CURRENT LIABILITIES</b>			
Accounts payable and accrued liabilities	\$	329,516	\$ 488,919
Accrued salaries and related benefits		<u>149,612</u>	<u>240,140</u>
Total liabilities		<u>479,128</u>	<u>729,059</u>
<b>NET ASSETS</b>			
Unrestricted			
Undesignated		215,902	843,737
Board designated		<u>411,861</u>	<u>171,861</u>
Total unrestricted		<u>627,763</u>	<u>1,015,598</u>
Temporarily restricted		<u>5,068,681</u>	<u>3,412,905</u>
Total net assets		<u>5,696,444</u>	<u>4,428,503</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>		<b><u>\$ 6,175,572</u></b>	<b><u>\$ 5,157,562</u></b>

## STATE VOICES

**STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS  
FOR THE YEAR ENDED DECEMBER 31, 2014  
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2013**

	<u>2014</u>			<u>2013</u>
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	<u>Total</u>
<b>REVENUE</b>				
Contributions and grants	\$ 3,860,765	\$ 7,403,559	\$ 11,264,324	\$ 8,395,160
Interest income	3,415	-	3,415	2,769
Net assets released from donor restrictions	<u>5,747,783</u>	<u>(5,747,783)</u>	<u>-</u>	<u>-</u>
Total revenue	<u>9,611,963</u>	<u>1,655,776</u>	<u>11,267,739</u>	<u>8,397,929</u>
<b>EXPENSES</b>				
Program Services	<u>8,790,940</u>	<u>-</u>	<u>8,790,940</u>	<u>6,693,871</u>
Supporting Services:				
Management and general	789,094	-	789,094	561,055
Fund Raising	<u>419,764</u>	<u>-</u>	<u>419,764</u>	<u>511,752</u>
Total supporting services	<u>1,208,858</u>	<u>-</u>	<u>1,208,858</u>	<u>1,072,807</u>
Total expenses	<u>9,999,798</u>	<u>-</u>	<u>9,999,798</u>	<u>7,766,678</u>
Change in net assets before other item:	(387,835)	1,655,776	1,267,941	631,251
<b>OTHER ITEM:</b>				
Loss on disposal of fixed assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>(4,335)</u>
Change in net assets	(387,835)	1,655,776	1,267,941	626,916
Net assets at beginning of year	<u>1,015,598</u>	<u>3,412,905</u>	<u>4,428,503</u>	<u>3,801,587</u>
<b>NET ASSETS AT END OF YEAR</b>	<b><u>\$ 627,763</u></b>	<b><u>\$ 5,068,681</u></b>	<b><u>\$ 5,696,444</u></b>	<b><u>\$ 4,428,503</u></b>

## STATE VOICES

**STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2014  
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2013**

	Management and			2014 Total	2013 Total
	Program Services	General	Fundraising		
Salaries	\$ 2,390,017	\$ 338,982	\$ 283,681	\$ 3,012,680	\$ 2,431,201
Payroll taxes	199,364	27,047	26,140	252,551	199,192
Employee benefits	300,043	76,720	14,356	391,119	296,599
Contract services	3,070,396	256,891	19,527	3,346,814	3,156,785
Occupancy	193,260	30,168	27,162	250,590	253,418
Telephone and internet services	51,369	7,378	6,642	65,389	37,984
Office expenses	29,255	2,554	2,300	34,109	31,733
Program activities and materials	230,245	-	-	230,245	172,017
Printing, publications and promotions	33,049	10,890	2,352	46,291	90,544
Travel	199,480	25,409	32,378	257,267	364,059
Equipment rental and maintenance	47,323	7,413	160	54,896	24,284
Insurance	5,484	1,449	1,305	8,238	12,230
Conferences and meetings	119,688	-	-	119,688	96,790
Grant awards	1,906,252	-	-	1,906,252	574,000
Miscellaneous	4,738	1,292	1,148	7,178	-
Bad debt	-	-	-	-	13,384
Depreciation and amortization	10,977	2,901	2,613	16,491	12,458
<b>TOTAL EXPENSES</b>	<b>\$ 8,790,940</b>	<b>\$ 789,094</b>	<b>\$ 419,764</b>	<b>\$ 9,999,798</b>	<b>\$ 7,766,678</b>

## STATE VOICES

**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2014  
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2013**

	<u>2014</u>	<u>2013</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 1,267,941	\$ 626,916
Adjustments to reconcile change in net assets to net cash (used) provided by operating activities:		
Depreciation and amortization	16,491	12,458
Loss on disposal of fixed assets	-	4,335
(Increase) decrease in:		
Contributions and grants receivable	(1,476,885)	196,689
Other receivable	(626)	-
Prepaid expenses	97	(37,586)
Security deposit	-	(9,400)
Increase (decrease) in:		
Accounts payable and accrued liabilities	(159,403)	299,051
Accrued salaries and related benefits	<u>(90,528)</u>	<u>10,549</u>
Net cash (used) provided by operating activities	<u>(442,913)</u>	<u>1,103,012</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of fixed assets	<u>(11,974)</u>	<u>(25,570)</u>
Net cash used by investing activities	<u>(11,974)</u>	<u>(25,570)</u>
Net (decrease) increase in cash and cash equivalents	(454,887)	1,077,442
Cash and cash equivalents at beginning of year	<u>4,163,773</u>	<u>3,086,331</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b><u>\$ 3,708,886</u></b>	<b><u>\$ 4,163,773</u></b>



## STATE VOICES

### NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2014

#### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

##### Organization -

State Voices is a non-profit organization, incorporated and located in the District of Columbia. State Voices's programs and supporting services are as follows:

**Program Services** - State Voices was established in 2004 for the purpose of increasing engagement by individuals and organizations in ways that strengthen democratic institutions and encourage public involvement in civic life. State Voices connects local, state and national affiliate organizations with the tools, training and resources they need to carry out more effective civic engagement. State Voices' priority is to work nationally in communities that have been historically underrepresented in the democratic process.

**Management and General** - This includes the functions necessary to maintain an adequate working environment, provide proper administrative support of State Voices' programs, and manage its financial and budgeting responsibilities. Management and general activities relate to the overall direction of State Voices. They are not identifiable with a particular program or fund raising activity, but they are indispensable to the conduct of those activities and are essential to State Voices.

**Fund Raising** - This provides the structure necessary to encourage and secure support from individuals, foundations, corporations, and others to contribute money, securities, time, materials, facilities, or other assets to State Voices.

##### Basis of presentation -

The accompanying financial statements are presented on the accrual basis of accounting, and in accordance with FASB ASC 958, *Not-for-Profit Entities*.

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with State Voices's financial statements for the year ended December 31, 2013, from which the summarized information was derived.

##### Cash and cash equivalents -

State Voices considers all cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents.

Bank deposit accounts are insured by the Federal Deposit Insurance Corporation ("FDIC") up to a limit of \$250,000. At times during the year the State Voices maintains cash balances in excess of the FDIC insurance limits. Management believes the risk in these situations to be minimal.

##### Contributions and grants receivable -

Contributions and grants receivable approximate fair value. Contributions and grants receivable that are expected to be collected in future years have not been discounted at the present value of their future cash flows. Management considers all amounts to be fully collectible. Accordingly, an allowance for doubtful accounts has not been established.

## STATE VOICES

### NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2014

#### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION (Continued)

##### Fixed assets -

Fixed assets in excess of \$1,000 are capitalized and stated at cost. Fixed assets are depreciated on a straight-line basis over the estimated useful lives of the related assets, generally five to seven years. Website development costs are capitalized and amortized over three years. The cost of maintenance and repairs is recorded as expenses are incurred. Depreciation and amortization expense for the year ended December 31, 2014 totaled \$16,491.

##### Income taxes -

State Voices is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made in the accompanying financial statements. State Voices is not a private foundation.

##### Uncertain tax positions -

For the year ended December 31, 2014, State Voices has documented its consideration of FASB ASC 740-10, *Income Taxes*, that provides guidance for reporting uncertainty in income taxes and has determined that no material uncertain tax positions qualify for either recognition or disclosure in the financial statements.

The Federal Form 990, *Return of Organization Exempt from Income Tax*, is subject to examination by the Internal Revenue Service, generally for three years after it is filed.

##### Net asset classification -

The net assets are reported in two self-balancing groups as follows:

- **Unrestricted net assets** include unrestricted revenue and contributions received without donor-imposed restrictions. These net assets are available for the operation of State Voices and include both internally designated and undesignated resources.
- **Temporarily restricted net assets** include revenue and contributions subject to donor-imposed stipulations that will be met by the actions of State Voices and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities and Change in Net Assets as net assets released from restrictions.

##### Contributions and grants -

Unrestricted and temporarily restricted contributions and grants are recorded as revenue in the year notification is received from the donor. Temporarily restricted contributions and grants are recognized as unrestricted support only to the extent of actual expenses incurred in compliance with the donor-imposed restrictions and satisfaction of time restrictions. Such funds in excess of expenses incurred are shown as temporarily restricted net assets in the accompanying financial statements.

## STATE VOICES

### NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2014

#### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION (Continued)

Use of estimates -

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Functional 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 and Change in Net Assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Reclassification -

Certain amounts in the prior year's financial statements have been reclassified to conform to the current year's presentation. These reclassifications had no effect on the previously reported changes in net assets.

#### 2. LINE OF CREDIT

State Voices has a \$250,000 bank line of credit which matured on January 20, 2015. Amounts borrowed under this agreement bear interest at a rate equal to the daily LIBOR rate plus 5.75% (5.91% at December 31, 2014). As of December 31, 2014 the outstanding balance on the line of credit was \$0. The line is secured by all assets of State Voices.

#### 3. BOARD DESIGNATED NET ASSETS

At December 31, 2014, net assets have been designated by the Board of Directors for the following purposes:

State Table - Ohio	\$ 130,000
State Table - Michigan	110,000
State Table - Pennsylvania	80,000
State Table - Florida	65,000
State Table - Oregon	<u>26,861</u>
<b>BOARD DESIGNATED NET ASSETS</b>	<b><u>\$ 411,861</u></b>

The Board designated reserve activity for the year ended December 31, 2014 was as follows:

Transfer from Undesignated to Board Designated	\$ 490,000
State Table - Ohio	(40,000)
State Table - Pennsylvania	(90,000)
State Table - Florida	(40,000)
State Table - Oregon	<u>(80,000)</u>
	<b><u>\$ 240,000</u></b>

## STATE VOICES

### NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2014

#### 4. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of the following at December 31, 2014:

Regranting	\$ 1,636,000
State Table - Michigan	1,467,045
State Table - Nevada	59,048
Arts and Democracy	60,048
SPaCE Project	12
Illinois meetings	75,000
Time restriction	<u>1,771,528</u>
	<b><u>\$ 5,068,681</u></b>

The following temporarily restricted net assets were released from donor restrictions by incurring expenses (or through the passage of time) which satisfied the restricted purposes specified by the donors:

Regranting	\$ 1,403,975
State Table - Michigan	1,202,941
State Table - Nevada	183,330
Arts and Democracy	110,479
SPaCE Project	2,100
Illinois meetings	50,000
State Table - Florida	438,809
State Table - Ohio	101,480
State Table - Oregon	351,564
State Table - Pennsylvania	323,953
Network Innovation Lab	5,000
Enfranchisement 2020 Program	75,000
Illinois Pilot Project	50,000
Communications	25,000
Analysis of voting rights	30,000
Sturdivant reception	2,500
Tools	60,000
Meetings	10,000
Reproductive justice	20,000
Micro-targeting of data for Chicago groups	25,000
Youth leadership	5,000
State capacity building - Georgia & Colorado	2,000
Convening grant	18,263
Passage of time	<u>1,251,389</u>
	<b><u>\$ 5,747,783</u></b>

#### 5. LEASE COMMITMENTS

Beginning in 2011, State Voices entered into various lease agreements with terms ranging from one to seven years. Several of the leases call for State Voices to pay a refundable security deposit and its proportionate share of expenses, increasing by a factor of 2.5% per year.

**STATE VOICES**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2014**

**5. LEASE COMMITMENTS (Continued)**

The following is a schedule of the future minimum lease payments:

**Year Ending December 31,**

2015	\$ 176,010
2016	<u>81,776</u>
	<b><u>\$ 257,786</u></b>

Occupancy expense for the year ended December 31, 2014 was \$250,590.

In 2013, State Voices subleased a portion of its office space under a lease agreement which expired on October 31, 2014. Monthly rent was \$810 per month. The sublease was renewed for two months expiring on December 24, 2014. Rental income for the year ended December 31, 2014 was \$9,720. This amount is netted against occupancy expense.

**6. RETIREMENT PLAN**

State Voices provides retirement benefits to its employees through a defined contribution plan covering all full-time employees. State Voices contributes 100% percent of employees' elected deferral up to 4% of employees' aggregate compensation. Contributions to the plan during the year ended December 31, 2014 totaled \$71,910.

**7. SUBSEQUENT EVENTS**

In preparing these financial statements, the State Voices has evaluated events and transactions for potential recognition or disclosure through September 24, 2015, the date the financial statements were issued.