Financial Statements

STATEVOICES

For the Year Ended December 31, 2017
With Summarized Financial
Information for 2016

STATE VOICES

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GELMAN, ROSENBERG
& FREEDMAN
CERTIFIED PUBLIC ACCOUNTANTS

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, 2017, 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, 2017, 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

We have previously audited State Voices' 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated February 5, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Gelman Rosenberg & Freedman

November 16, 2018

STATE VOICES

STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2017
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2016

ASSETS

	2017	2016
CURRENT ASSETS		
Cash and cash equivalents	$ 3,129,237	$ 2,091,195
Contributions and grants receivable	3,783,270	4,674,517
Prepaid expenses	60,819	19,151
Total current assets	6,973,326	6,784,863
FIXED ASSETS		
Furniture and equipment	119,661	108,407
Website development	96,383	96,383
	216,044	204,790
Less: Accumulated depreciation and amortization	(190,376)	(171,611)
Net fixed assets	25,668	33,179
OTHER ASSETS		
Contributions and grants receivable, net of current portion and discount	3,344,033	-
Security deposit	21,948	15,698
Total other assets	3,365,981	15,698
TOTAL ASSETS	**$ 10,364,975**	**$ 6,833,740**

LIABILITIES AND NET ASSETS

	2017	2016
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	$ 227,393	$ 560,004
Accrued salaries and related benefits	107,000	92,400
Total current liabilities	334,393	652,404
NET ASSETS		
Unrestricted	241,679	413,392
Temporarily restricted	9,788,903	5,767,944
Total net assets	10,030,582	6,181,336
TOTAL LIABILITIES AND NET ASSETS	**$ 10,364,975**	**$ 6,833,740**

See accompanying notes to financial statements.

STATE VOICES

STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2017
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2016

	2017			2016
	Unrestricted	Temporarily Restricted	Total	Total
REVENUE				
Contributions and grants	$ 1,783,759	$ 9,904,884	$ 11,688,643	$ 9,724,401
Tool assessment fees	235,520	-	235,520	70,125
Interest income	3,769	-	3,769	5,921
Other revenue	189,901	-	189,901	34
Net assets released from donor restrictions	5,883,925	(5,883,925)	-	-
Total revenue	8,096,874	4,020,959	12,117,833	9,800,481
EXPENSES				
Program Services	6,882,600	-	6,882,600	11,928,075
Supporting Services:				
Management and General	896,018	-	896,018	1,056,967
Fundraising	489,969	-	489,969	569,626
Total supporting services	1,385,987	-	1,385,987	1,626,593
Total expenses	8,268,587	-	8,268,587	13,554,668
Change in net assets	(171,713)	4,020,959	3,849,246	(3,754,187)
Net assets at beginning of year	413,392	5,767,944	6,181,336	9,935,523
NET ASSETS AT END OF YEAR	**$ 241,679**	**$ 9,788,903**	**$ 10,030,582**	**$ 6,181,336**

See accompanying notes to financial statements.

STATE VOICES

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2017
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2016

	2017				2016
	Program Services	Management and General	Fundraising	Total Expenses	Total Expenses
Salaries	$ 1,947,979	$ 304,041	$ 370,425	$ 2,622,445	$ 3,145,955
Payroll taxes	155,745	24,116	23,403	203,264	251,677
Employee benefits	268,819	39,957	42,184	350,960	412,284
Contract services	2,898,089	251,089	19,952	3,169,130	3,983,473
Occupancy	80,865	136,022	4,971	221,858	233,123
Telephone and internet services	14,280	18,517	130	32,927	60,089
Office expenses	12,372	7,572	2,009	21,953	40,081
Printing, publications and promotions	14,585	3,286	4,874	22,745	171,706
Travel	156,507	21,716	17,101	195,324	248,601
Equipment rental and maintenance	10,403	17,222	920	28,545	60,387
Insurance	-	15,599	-	15,599	13,563
Conferences and meetings	55,848	34,970	3,550	94,368	159,460
Grant awards	951,191	-	-	951,191	4,715,908
Depreciation and amortization	-	18,765	-	18,765	19,830
Miscellaneous	315,917	3,146	450	319,513	38,531
TOTAL	**$ 6,882,600**	**$ 896,018**	**$ 489,969**	**$ 8,268,587**	**$ 13,554,668**

See accompanying notes to financial statements.

STATE VOICES

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2017
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 3,849,246	$ (3,754,187)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	18,765	19,830
Decrease (increase) in:		
Contributions and grants receivable	(2,452,786)	2,756,548
Prepaid expenses	(41,668)	91
Security deposit	(6,250)	250
Increase (decrease) in:		
Accounts payable and accrued liabilities	(332,611)	401,459
Accrued salaries and related benefits	14,600	(3,462)
Net cash provided (used) by operating activities	1,049,296	(579,471)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(11,254)	(9,743)
Net cash used by investing activities	(11,254)	(9,743)
Net increase (decrease) in cash and cash equivalents	1,038,042	(589,214)
Cash and cash equivalents at beginning of year	2,091,195	2,680,409
CASH AND CASH EQUIVALENTS AT END OF YEAR	**$ 3,129,237**	**$ 2,091,195**

See accompanying notes to financial statements.

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' 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.

Fundraising - 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 financial statements for the year ended December 31, 2016, 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, 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 are recorded at their net realizable value, which approximates fair value. Contributions and grants receivable that are expected to be collected in future years are recorded at fair value, measured as the present value of their future cash flows. The discounts on these amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contributions and grants revenue. Conditional promises to give are not included as support until the conditions are substantially met. All contributions and grants receivable are considered by management to be fully collectible. Accordingly, an allowance for doubtful accounts has not been established.

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. Furniture and equipment 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, 2017 totaled $18,765.

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, 2017, 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.

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.

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.

New accounting pronouncements not yet adopted -

In June 2018, the FASB issued ASU 2018-08, Not-for-Profit Entities (Topic 958): *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made,* which is intended to clarify and improve current guidance about whether a transfer of assets is an exchange transaction or a contribution. The amendments in this ASU provide a more robust framework to determine when a transaction should be accounted for as a contribution under Subtopic 958-605 or as an exchange transaction accounted for under other guidance (for example, Topic 606). The amendments also provide additional guidance about how to determine whether a contribution is conditional or unconditional. The amendments in this ASU could result in more grants and contracts being accounted for as contributions than under previous GAAP. The ASU recommends application on a modified prospective basis; however, retrospective application is permitted. State Voices has not yet decided on a transition method. The ASU is effective for years beginning after December 15, 2018.

In August 2016, the FASB issued Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities* (Topic 958), intended to improve financial reporting for not-for-profit entities. The ASU will reduce the current three classes of net assets into two: with and without donor restrictions. The change in each of the classes of net assets must be reported on the Statement of Activities and Change in Net Assets. The ASU also requires various enhanced disclosures around topics such as board designations, liquidity, functional classification of expenses, investment expenses, donor restrictions, and underwater endowments. The ASU is effective for years beginning after December 15, 2017. Early adoption is permitted. The ASU should be applied on a retrospective basis in the year the ASU is first applied. While the ASU will change the presentation of State Voices' financial statements, it is not expected to alter State Voices' reported financial position.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606) (ASU 2014-09). The ASU establishes a comprehensive revenue recognition standard for virtually all industries under generally accepted accounting principles in the United States (U.S. GAAP) including those that previously followed industry-specific guidance. The guidance states that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

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

New accounting pronouncements not yet adopted (continued) -

The FASB issued ASU 2015-14 in August 2015 that deferred the effective date of ASU 2014-09 by a year thus the effective date is fiscal years beginning after December 15, 2018. Early adoption is permitted. State Voices has not yet selected a transition method and is currently evaluating the effect that the updated standard will have on the financial statements.

In 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842). The ASU changes the accounting treatment for operating leases by recognizing a lease asset and lease liability at the present value of the lease payments in the Statement of Financial Position and disclosing key information about leasing arrangements. The ASU is effective for private entities for fiscal years beginning after December 15, 2019. Early adoption is permitted. The ASU should be applied at the beginning of the earliest period presented using a modified retrospective approach.

State Voices plans to adopt the new ASUs at the required implementation dates.

2. CONTRIBUTIONS AND GRANTS RECEIVABLE

As of December 31, 2017, contributors to State Voices have made written promises to give totaling $7,283,270. Contributions and grants due in more than one year have been recorded at the present value of the estimated cash flows, using a discount rate of approximately 2%.

Contributions and grants are due as follows at December 31, 2017:

Less than one year	$ 3,783,270
One to five years	3,500,000
Total	7,283,270
Less: Allowance to discount balance to present value	(155,967)
Less: Current portion	(3,783,270)
CONTRIBUTIONS AND GRANTS RECEIVABLE, NET OF CURRENT PORTION AND PRESENT VALUE DISCOUNT	**$ 3,344,033**

3. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of the following at December 31, 2017:

Regranting	$ 4,108,834
State Table - Florida	356,185
State Table - Idaho	14,283
State Table - Michigan	1,230,872
State Table - Nevada	16,223
State Table - Oregon	42,222
Time restriction	4,020,284
TOTAL TEMPORARILY RESTRICTED NET ASSETS	**$ 9,788,903**

3. TEMPORARILY RESTRICTED NET ASSETS (Continued)

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	$ 540,876
State Table - Florida	557,371
State Table - Idaho	143,298
State Table - Michigan	684,585
State Table - Nevada	186,499
State Table - Oregon	90,282
State Table - Virginia	13,556
State Table - Ohio	127,028
Tools	300,000
Passage of time	3,240,430
NET ASSETS RELEASED FROM DONOR RESTRICTIONS	**$ 5,883,925**

4. LEASE COMMITMENTS

State Voices has entered into various lease agreements with terms ranging from one to three years. Several of the leases call for State Voices to pay a refundable security deposit and its proportionate share of expenses. The following is a schedule of the future minimum lease payments:

Year Ending December 31,	
2018	$ 89,422
2019	12,800
	$ 102,222

Occupancy expense for the year ended December 31, 2017 was $221,858.

5. RETIREMENT PLAN

State Voices provides retirement benefits to its employees through a defined contribution plan covering all employees age 21 and over. State Voices contributes 100% of employees' elected deferral up to 3% of employees' aggregate compensation and an additional 50% up to the next 2%. Maximum employer contribution equal to 4%. Contributions to the Plan during the year ended December 31, 2017 totaled $62,082.

6. SUBSEQUENT EVENTS

In preparing these financial statements, State Voices has evaluated events and transactions for potential recognition or disclosure through November 16, 2018, the date the financial statements were issued.