

FINANCIAL STATEMENTS



**FOR THE YEAR ENDED DECEMBER 31, 2015
WITH SUMMARIZED FINANCIAL
INFORMATION FOR 2014**

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, 2015, 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, 2015, 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' 2014 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 24, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Gelman Rosenberg & Friedman

September 14, 2016

STATE VOICES
STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2015
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2014

ASSETS		<u>2015</u>	<u>2014</u>
CURRENT ASSETS			
Cash and cash equivalents	\$	2,680,409	\$ 3,708,886
Contributions and grants receivable		5,461,188	2,169,246
Other receivable		-	626
Prepaid expenses		<u>19,242</u>	<u>37,489</u>
Total current assets		<u>8,160,839</u>	<u>5,916,247</u>
FIXED ASSETS			
Furniture and equipment		98,664	81,909
Website development		96,383	96,383
Less: Accumulated depreciation and amortization		<u>(151,781)</u>	<u>(132,665)</u>
Net fixed assets		<u>43,266</u>	<u>45,627</u>
OTHER ASSETS			
Contributions and grants receivable, net of current portion		1,969,877	197,500
Security deposit		<u>15,948</u>	<u>16,198</u>
Total other assets		<u>1,985,825</u>	<u>213,698</u>
TOTAL ASSETS		<u>\$ 10,189,930</u>	<u>\$ 6,175,572</u>
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Accounts payable and accrued liabilities	\$	158,545	\$ 329,516
Accrued salaries and related benefits		<u>95,862</u>	<u>149,612</u>
Total current liabilities		<u>254,407</u>	<u>479,128</u>
NET ASSETS			
Unrestricted:			
Undesignated		273,314	215,902
Board designated		<u>-</u>	<u>411,861</u>
Total unrestricted		<u>273,314</u>	<u>627,763</u>
Temporarily restricted		<u>9,662,209</u>	<u>5,068,681</u>
Total net assets		<u>9,935,523</u>	<u>5,696,444</u>
TOTAL LIABILITIES AND NET ASSETS		<u>\$ 10,189,930</u>	<u>\$ 6,175,572</u>

See accompanying notes to financial statements.

STATE VOICES

**STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2015
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2014**

	<u>2015</u>			<u>2014</u>
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	<u>Total</u>
REVENUE				
Contributions and grants	\$ 1,064,907	\$ 11,905,027	\$ 12,969,934	\$ 11,264,324
Tool assessment fees	114,638	-	114,638	-
Interest income	5,486	-	5,486	3,415
Other revenue	511	-	511	-
Net assets released from donor restrictions	<u>7,311,499</u>	<u>(7,311,499)</u>	<u>-</u>	<u>-</u>
Total revenue	<u>8,497,041</u>	<u>4,593,528</u>	<u>13,090,569</u>	<u>11,267,739</u>
EXPENSES				
Program Services	<u>7,503,950</u>	<u>-</u>	<u>7,503,950</u>	<u>8,790,940</u>
Supporting Services:				
Management and General	755,364	-	755,364	789,094
Fundraising	<u>592,176</u>	<u>-</u>	<u>592,176</u>	<u>419,764</u>
Total supporting services	<u>1,347,540</u>	<u>-</u>	<u>1,347,540</u>	<u>1,208,858</u>
Total expenses	<u>8,851,490</u>	<u>-</u>	<u>8,851,490</u>	<u>9,999,798</u>
Change in net assets	(354,449)	4,593,528	4,239,079	1,267,941
Net assets at beginning of year	<u>627,763</u>	<u>5,068,681</u>	<u>5,696,444</u>	<u>4,428,503</u>
NET ASSETS AT END OF YEAR	<u>\$ 273,314</u>	<u>\$ 9,662,209</u>	<u>\$ 9,935,523</u>	<u>\$ 5,696,444</u>

STATE VOICES

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2015
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2014**

	<u>2015</u>			<u>2014</u>	
	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Expenses</u>	<u>Total Expenses</u>
Salaries	\$ 2,345,572	\$ 289,764	\$ 383,120	\$ 3,018,456	\$ 3,012,680
Payroll taxes	192,578	21,509	25,294	239,381	252,551
Employee benefits	317,825	65,471	19,807	403,103	391,119
Contract services	2,615,532	274,665	45,835	2,936,032	3,346,814
Occupancy	152,785	35,258	47,011	235,054	250,590
Telephone and internet services	38,045	8,780	11,706	58,531	65,389
Office expenses	20,227	4,668	6,224	31,119	34,109
Program activities and materials	-	-	-	-	230,245
Printing, publications and promotions	201,552	9,094	6,614	217,260	46,291
Travel	191,596	32,057	41,780	265,433	257,267
Equipment rental and maintenance	7,360	9,286	26	16,672	54,896
Insurance	3,042	702	936	4,680	8,238
Conferences and meetings	171,861	-	-	171,861	119,688
Grant awards	1,233,550	-	-	1,233,550	1,906,252
Depreciation and amortization	12,425	2,868	3,823	19,116	16,491
Miscellaneous	-	1,242	-	1,242	7,178
TOTAL	\$ 7,503,950	\$ 755,364	\$ 592,176	\$ 8,851,490	\$ 9,999,798

See accompanying notes to financial statements.

STATE VOICES

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2015
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2014**

	<u>2015</u>	<u>2014</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 4,239,079	\$ 1,267,941
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation and amortization	19,116	16,491
(Increase) decrease in:		
Contributions and grants receivable	(5,064,319)	(1,476,885)
Other receivable	626	(626)
Prepaid expenses	18,247	97
Security deposit	250	-
Increase (decrease) in:		
Accounts payable and accrued liabilities	(170,971)	(159,403)
Accrued salaries and related benefits	<u>(53,750)</u>	<u>(90,528)</u>
Net cash used by operating activities	<u>(1,011,722)</u>	<u>(442,913)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	<u>(16,755)</u>	<u>(11,974)</u>
Net cash used by investing activities	<u>(16,755)</u>	<u>(11,974)</u>
Net decrease in cash and cash equivalents	(1,028,477)	(454,887)
Cash and cash equivalents at beginning of year	<u>3,708,886</u>	<u>4,163,773</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 2,680,409</u>	<u>\$ 3,708,886</u>

STATE VOICES

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2015

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.

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, 2014, 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 approximate fair value. Contributions and grants receivable that are expected to be collected in future years have 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, 2015

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, 2015 totaled \$19,116.

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, 2015, 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.

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.

STATE VOICES

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

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

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.

2. CONTRIBUTIONS AND GRANTS RECEIVABLE

As of December 31, 2015, contributors to State Voices have made written promises to give totaling \$7,561,188. 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 3.25%.

Contributions and grants are due as follows at December 31, 2015:

Less than one year	\$ 5,461,188
One to five years	<u>2,100,000</u>
Total	7,561,188
Less: Allowance to discount balance to present value	<u>(130,123)</u>
CONTRIBUTIONS AND GRANTS RECEIVABLE (NET)	<u>\$ 7,431,065</u>

3. BOARD DESIGNATED NET ASSETS

During 2015, the following Board designated reserves were transferred to Undesignated:

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>
	<u>\$ 411,861</u>

At December 31, 2015, the balance in the Board designated reserve is \$0.

4. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of the following at December 31, 2015:

Regranting	\$ 4,170,000
State Table - Michigan	2,036,716
State Table - Nevada	57,524
State Table - Florida	4,677
State Table - Oregon	44,702
State Table - Pennsylvania	21,358
State Table - Virginia	378,576
Arts and Democracy	23,917
Time restriction	<u>2,924,739</u>
	<u>\$ 9,662,209</u>

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**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

4. 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	\$ 1,276,000
State Table - Michigan	1,556,845
State Table - Nevada	99,024
State Table - Florida	260,323
State Table - Oregon	236,898
State Table - Pennsylvania	481,954
State Table - Virginia	282,321
State Table - Ohio	75,000
Arts and Democracy	56,455
SPaCE Project	12
Tools	1,670,000
Passage of time	<u>1,316,667</u>
	<u>\$ 7,311,499</u>

5. LINE OF CREDIT

State Voices has a \$250,000 bank line of credit which matured on January 20, 2016. Amounts borrowed under this agreement bear interest at a rate equal to the daily LIBOR rate plus 5.75% (6.11% at December 31, 2015). As of December 31, 2015 the outstanding balance on the line of credit was \$0. The line is secured by all assets of State Voices.

6. 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.

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

<u>Year Ending December 31,</u>	
2016	\$ 147,414
2017	133,459
2018	<u>67,553</u>
	<u>\$ 348,426</u>

Occupancy expense for the year ended December 31, 2015 was \$235,054.

7. 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, 2015 totaled \$63,371.

STATE VOICES

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

8. SUBSEQUENT EVENTS

In preparing these financial statements, State Voices has evaluated events and transactions for potential recognition or disclosure through September 14, 2016, the date the financial statements were issued.