ISSUE ONE

FINANCIAL STATEMENTS

JUNE 30, 2014

CALIBRE
CPA GROUP
Bethesda, MD

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FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2014

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REPORT OF INDEPENDENT AUDITORS

Board of Directors
Issue One

We have audited the accompanying financial statements of Issue One (formerly Fund for the Republic), which comprise the statements of financial position as of June 30, 2014 and 2013, and the related statements of activities, functional expenses, and cash flows for the year ended June 30, 2014, 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 of 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 risk 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.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Issue One as of June 30, 2014 and 2013, and the changes in its net assets and its cash flows for the year ended June 30, 2014, in accordance with accounting principles generally accepted in the United States of America.

Calibre CPA Group, PLLC

Bethesda, MD
March 24, 2015

Issue One

Statements of Financial Position

June 30, 2014 and 2013

	2014	2013
Assets		
Current assets		
Cash and cash equivalents	$ 400,448	$ 2,685
Contributions receivable	90,550	-
Due from landlord for leasehold improvements and related costs	26,813	-
Due from affiliate	1,152	244
Prepaid expenses	10,000	1,307
Total current assets	528,963	4,236
Property and equipment, net	45,203	1,050
Security deposit	29,424	2,500
Total assets	$ 603,590	$ 7,786
Liabilities and Net Assets		
Current liabilities		
Accounts payable	$ 27,484	$ 16,691
Accrued vacation	22,558	-
Total current liabilities	50,042	16,691
Noncurrent liabilities		
Loan payable	26,000	-
Deferred lease incentives	51,278	-
Subtenant rent deposit	850	-
Total liabilities	128,170	16,691
Net assets		
Unrestricted	252,574	(121,323)
Temporarily restricted	222,846	112,418
Total net assets	475,420	(8,905)
Total liabilities and net assets	$ 603,590	$ 7,786

See accompanying notes to financial statements.

Issue One

Statement of Activities

Year Ended June 30, 2014

	Unrestricted	Temporarily Restricted	Total
Support and revenue			
Foundations and major donors	$ 1,564,718	$ 1,228,648	$ 2,793,366
Membership contributions	5,650	-	5,650
Rent income	1,700	-	1,700
Miscellaneous	199	-	199
Net assets released from restrictions	1,118,220	(1,118,220)	-
Total support and revenue	2,690,487	110,428	2,800,915
Expenses			
Program services			
Strategic Leadership	790,174	-	790,174
Leadership and Donor Organizing	318,478	-	318,478
Catalytic Grantmaking	294,423	-	294,423
Total program services expenses	1,403,075	-	1,403,075
Supporting services			
Management and general	375,845	-	375,845
Fund raising	537,670	-	537,670
Total supporting services expenses	913,515	-	913,515
Total expenses	2,316,590	-	2,316,590
Change in net assets	373,897	110,428	484,325
Net assets			
Beginning of year	(121,323)	112,418	(8,905)
End of year	$ 252,574	$ 222,846	$ 475,420

See accompanying notes to financial statements.

Issue One

Statement of Functional Expenses

Year Ended June 30, 2014

	Program Services							
	Strategic Leadership	Leadership and Donor Organizing	Catalytic Grantmaking	Total	Management and General	Fund Raising	Common Costs	Total
Salaries and fringe benefits	$ 67,982	$ 125,609	$ 16,768	$ 210,359	$ 227,460	$ 201,897	$ 1,366	$ 641,082
Communications	15,145	2,049	20	17,214	2,244	68,649	1,658	89,765
Consulting services	661,852	155,257	-	817,109	33,325	183,352	5,698	1,039,484
Equipment and furnishings	-	-	-	-	-	1,999	6,983	8,982
Grant awards	-	10,000	275,000	285,000	-	-	-	285,000
Occupancy and operating	4,377	71	19	4,467	2,904	1,212	77,888	86,471
Professional services	-	-	-	-	50,912	-	2,174	53,086
Travel costs	33,238	9,397	755	43,390	18,865	51,082	2,980	116,317
Allocation of common costs	7,580	16,095	1,861	25,536	40,135	29,479	(95,150)	-
Allocation of common costs to related organization	-	-	-	-	-	-	(3,597)	(3,597)
	$ 790,174	$ 318,478	$ 294,423	$ 1,403,075	$ 375,845	$ 537,670	$ -	$ 2,316,590

See accompanying notes to financial statements.

Issue One

Statement of Cash Flows

Year Ended June 30, 2014

Cash flows from operating activities	
Change in net assets	$ 484,325
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Depreciation	3,261
Increase in	
Contributions receivable	(90,550)
Due from landlord for leasehold improvements and related costs	(26,813)
Due from affiliate	(908)
Prepaid expenses	(8,693)
Security deposit	(26,924)
Increase in	
Accounts payable	10,793
Accrued vacation	22,558
Deferred lease incentives	51,278
Subtenant rent deposit	850
Net cash provided by operating activities	419,177
Cash flows from investing activities	
Purchases of property and equipment	(47,414)
Cash flows from financing activities	
Proceeds from loan payable	26,000
Net increase in cash and cash equivalents	397,763
Cash and cash equivalents	
Beginning of year	2,685
End of year	$ 400,448

See accompanying notes to financial statements.

NOTE 1. ORGANIZATION AND NATURE OF OPERATIONS

Issue One (formerly Fund for the Republic) (the Organization) is a nonpartisan organization committed to putting everyday citizens back in control of our democracy by reducing the influence of well-financed special interests over American politics and policy-making. Issue One works to create the political strength, critical mass, public presence, and funding levels necessary to achieve and defend substantive reforms at the state and national levels. We do this by improving public awareness of the issue, recruiting new donors and advocates, and providing funding to support innovative new strategies and programs.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting - The accompanying financial statements of Issue One have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles. Accordingly, revenues from exchange transactions are recognized when earned, contribution revenues are recognized when received, and expenses are recognized when incurred.

Basis of Presentation - Net assets, revenues, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

> **Unrestricted Net Assets** - Net assets not subject to donor-imposed stipulations.
>
> **Temporarily Restricted Net Assets** - Net assets subject to donor-imposed restrictions that will expire based on actions of Issue One or by the passage of time.
>
> **Permanently Restricted Net Assets** - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned and capital gains, if any, on related investments for general or specific purposes. Issue One did not have any permanently restricted net assets at June 30, 2014 and 2013.

Unrestricted contributions and all revenues from exchange transactions are reported as increases in unrestricted net assets. Contributions that are restricted by the donor are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities, if any, are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law.

Tax-Exempt Status - Issue One is exempt from Federal income taxes as a public charity described in Section 501(c)(3) of the Internal Revenue Code based on a determination letter received from the Internal Revenue Service dated March 3, 2014.

Issue One accounts for income taxes in accordance with the Accounting Standards Codification (ASC) Topic *Income Taxes*. These provisions provide consistent guidance for the accounting for uncertainty in income taxes recognized in an entity's financial statements and prescribe a threshold of "more likely than not" for recognition and derecognition of tax positions taken or expected to be taken in a tax return. The management of Issue One performed an evaluation of uncertain tax positions for the year ended June 30, 2014, and determined that there were no matters that would require recognition in the financial statements or that may have an effect on its application for tax exemption. It is the Organization's policy to recognize interest and/or penalties related to uncertain tax positions, if any, in unrelated business income tax expense.

Issue One files Federal Form 990, *Return of Organization Exempt From Income Tax*, and its state equivalents. These returns are subject to examination, generally for three years after they have been filed.

Cash Equivalents - For reporting purposes, the Organization considers all investments with original maturities of three months or less to be cash equivalents.

Property and Equipment - Office furniture and equipment are capitalized at cost or fair value at date of gift (if donated), and depreciated on a straight-line basis over their estimated useful lives, generally five years. Leasehold improvements are capitalized and depreciated or amortized over the shorter of their estimated useful lives or the terms of the respective leases.

Functional Expenses - The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities and of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Use of Estimates - The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 3. DUE FROM AFFILIATE

Issue One shares resources with Issue One Action, an independent and autonomous organization with overlapping governing board members. Shared resources include but are not limited to salaries and benefits, occupancy, and communications. The cost of these shared resources is paid for by Issue One and then allocated to Issue One Action on the basis of time and resource utilization studies. Issue One Action owed Issue One $1,152 as of June 30, 2014 and $244 as of June 30, 2013 in connection with these shared expenses.

NOTE 4. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets as of June 30, 2014 were subject to restriction as follows:

Strategic Leadership	$ 44,815
Leadership and Donor Organizing	17,227
Catalytic Grantmaking	114,225
Organizational legal expenses	46,579
	$ 222,846

Net assets of $1,118,220 were released from restriction during 2014 to fund programs and other expenses as follows:

Strategic Leadership	$ 541,200
Leadership and Donor Organizing	142,773
Catalytic Grantmaking	294,871
Recruiting New Constituencies	1,800
Organizational legal expenses	137,576
	$ 1,118,220

NOTE 5. RETIREMENT BENEFITS

The Organization contributes to a Simplified Employee Pension (SEP) Individual Retirement Account (IRA) for employees who are eligible for coverage under the plan. In order to be eligible, an employee must be employed for a consecutive three months; must be a minimum of 18 years old; and must be a U.S. citizen or certain nonresident alien. The retirement plan contribution is currently 5% of compensation. Pension expense for the year ended June 30, 2014, and period ended June 30, 2013 was $6,830 and $3,025, respectively.

NOTE 6. LEASES

Issue One currently conducts its operations from facilities located in Washington, D.C. During the year ended June 30, 2014, the Organization entered into a new office lease agreement with a lease commencement date of May 1, 2014 and a term of 40 months, expiring on August 31, 2017. The landlord agreed to reimburse Issue One for certain leasehold improvements and related costs in the amount of $26,813, and to abate rent for the first four months of the lease term. The total rent payments due under the terms of the lease are recognized in the financial statements on a straight-line basis. Future minimum lease payments required under this lease arrangement are as follows:

Year ending June 30,	2015	$ 132,573
	2016	162,402
	2017	166,462
	2018	27,857
		$ 489,294

Total rent expense recognized in the financial statements for the year ended June 30, 2014 was $53,615.

NOTE 7. LOAN PAYABLE

Issue One had a loan payable to a Board member in the total principal amount of $26,000, with interest accruing at an annual rate of .28%, with all unpaid principal and accrued interest due and payable on June 30, 2016. However, the entire outstanding balance, including accrued interest, was paid in full on February 20, 2015.

NOTE 8. SUBSEQUENT EVENTS

Subsequent events have been evaluated through March 24, 2015, which is the date the financial statements were available to be issued. This review and evaluation revealed no new material event or transaction which would require an additional adjustment to or disclosure in the accompanying financial statements.