ISSUE ONE

FINANCIAL STATEMENTS

JUNE 30, 2015

CALIBRE
CPA GROUP
Bethesda, MD

ISSUE ONE

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2015

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CALIBRE
CPA GROUP
Bethesda, MD

Report of Independent Auditors

Board of Directors
Issue One

We have audited the accompanying financial statements of Issue One, which comprise the statements of financial position as of June 30, 2015 and 2014, and the related statements of activities, functional expenses, and cash flows for the year ended June 30, 2015, 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 Issue One as of June 30, 2015 and 2014, and the changes in its net assets and its cash flows for the year ended June 30, 2015, in accordance with accounting principles generally accepted in the United States of America.

Calibre CPA Group, PLLC

Bethesda, MD
March 18, 2016

Issue One

Statements of Financial Position

June 30, 2015 and 2014

	2015	2014
Assets		
Current assets		
Cash and cash equivalents	$ 1,089,855	$ 400,448
Contributions receivable	80,000	90,550
Due from landlord for leasehold improvements and related costs	-	26,813
Due from affiliate	611	1,152
Prepaid expenses	13,589	10,000
Total current assets	1,184,055	528,963
Property and equipment, net	95,252	45,203
Security deposit	29,424	29,424
Total assets	$ 1,308,731	$ 603,590
Liabilities and Net Assets		
Current liabilities		
Accounts payable	$ 63,433	$ 27,484
Deferred lease incentives, current portion	23,657	-
Accrued vacation	27,360	22,558
Total current liabilities	114,450	50,042
Noncurrent liabilities		
Loan payable	-	26,000
Deferred lease incentives, net of current portion	32,451	51,278
Subtenant rent deposit	-	850
Total liabilities	146,901	128,170
Net assets		
Unrestricted	815,738	252,574
Temporarily restricted	346,092	222,846
Total net assets	1,161,830	475,420
Total liabilities and net assets	$ 1,308,731	$ 603,590

See accompanying notes to financial statements.

Issue One

Statement of Activities

Year Ended June 30, 2015

	Unrestricted	Temporarily Restricted	Total
Support and revenue			
Foundations and major donors	$ 2,142,246	$ 1,883,500	$ 4,025,746
Membership contributions	37,904	-	37,904
Grant income	5,833	-	5,833
Rent income	7,625	-	7,625
Miscellaneous	669	-	669
Net assets released from restrictions	1,760,254	(1,760,254)	-
Total support and revenue	3,954,531	123,246	4,077,777
Expenses			
Program services			
Bipartisan Community	917,669	-	917,669
Innovative Efforts	1,606,213	-	1,606,213
Total program services expenses	2,523,882	-	2,523,882
Supporting services			
Management and general	399,894	-	399,894
Fund raising	467,591	-	467,591
Total supporting services expenses	867,485	-	867,485
Total expenses	3,391,367	-	3,391,367
Change in net assets	563,164	123,246	686,410
Net assets			
Beginning of year	252,574	222,846	475,420
End of year	$ 815,738	$ 346,092	$ 1,161,830

See accompanying notes to financial statements.

Issue One

Statement of Functional Expenses

Year Ended June 30, 2015

	Program Services						
	Bipartisan Community	Innovative Efforts	Total	Management and General	Fund Raising	Common Costs	Total
Salaries and fringe benefits	$ 490,839	$ 87,100	$ 577,939	$ 233,154	$ 287,148	$ 4,231	$ 1,102,472
Communications	59,140	230	59,370	8,376	19,606	1,141	88,493
Consulting services	243,200	224,022	467,222	40,046	65,461	4,324	577,053
Equipment and furnishings	254	-	254	656	-	14,748	15,658
Grant awards	3,400	1,275,849	1,279,249	-	-	-	1,279,249
Occupancy and operating	848	96	944	18,570	1,621	166,973	188,108
Professional services	-	-	-	26,234	-	2,884	29,118
Travel costs	44,274	344	44,618	27,236	32,127	7,531	111,512
Allocation of common costs	75,714	18,572	94,286	45,622	61,628	(201,536)	-
Allocation of common costs to related organization	-	-	-	-	-	(296)	(296)
	$ 917,669	$ 1,606,213	$ 2,523,882	$ 399,894	$ 467,591	$ -	$ 3,391,367

See accompanying notes to financial statements.

Issue One

Statement of Cash Flows

Year Ended June 30, 2015

Cash flows from operating activities	
Change in net assets	$ 686,410
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Depreciation	12,713
(Increase) decrease in assets	
Contributions receivable	10,550
Due from landlord for leasehold improvements and related costs	26,813
Due from affiliate	541
Prepaid expenses	(3,589)
Increase (decrease) in liabilities	
Accounts payable	35,949
Accrued vacation	4,802
Deferred lease incentives	4,830
Subtenant rent deposit	(850)
Net cash provided by operating activities	778,169
Cash flows from investing activities	
Purchases of property and equipment	(62,762)
Cash flows from financing activities	
Payment of loan principal	(26,000)
Net increase in cash and cash equivalents	689,407
Cash and cash equivalents	
Beginning of year	400,448
End of year	$ 1,089,855

See accompanying notes to financial statements.

NOTE 1. ORGANIZATION AND NATURE OF OPERATIONS

Issue One (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, 2015 and 2014.

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 period ended June 30, 2015, and determined that there were no matters that would require recognition in the financial statements or that may have an effect on its tax-exempt status. 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 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 $611 as of June 30, 2015 and $1,152 as of June 30, 2014 in connection with these shared expenses.

NOTE 4. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets as of June 30, 2015 and 2014 were subject to restriction as follows:

	2015	2014
Bipartisan Community		
Landmark Event	$ -	$ 17,227
Organizational legal expenses	62,979	46,579
Innovative Efforts		
Judicial Reform	194,815	44,815
Iowa Pays the Price	32,954	-
Catalytic Grantmaking	55,344	114,225
	$ 346,092	$ 222,846

Net assets were released from restriction during 2015 to fund programs and other expenses as follows:

Bipartisan Community	$ 249,327
Innovative Efforts	1,510,927
	$ 1,760,254

NOTE 5. RETIREMENT BENEFITS

Through March 31, 2015, the Organization contributed to a Simplified Employee Pension (SEP) Individual Retirement Account (IRA) for employees who were eligible for coverage under the plan. In order to be eligible, an employee must have been employed for a consecutive three months, a minimum of 18 years old, and a U. S. citizen or certain nonresident alien.

NOTE 5. RETIREMENT BENEFITS (CONTINUED)

Effective April 1, 2015, the Organization replaced the SEP plan with a traditional 401(k) plan. Employees with one year of service are eligible to participate in the plan, which provides for an employer matching contribution on elective employee deferrals, dollar-for-dollar up to 5% of eligible compensation. Employees are fully-vested in all employee and employer contributions to the plan. Total pension expense for the year ended June 30, 2015, for both plans, was $22,165.

NOTE 6. LEASES

Issue One currently conducts its operations from facilities located in Washington, D.C. under an 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,	2016	$ 162,402
	2017	166,462
	2018	27,857
		$ 356,721

Total rent expense recognized in the financial statements for the year ended June 30, 2015 was $141,516.

NOTE 7. CONCENTRATIONS

Issue One maintains its cash balances at a single financial institution. Although amounts on deposit may exceed the maximum amount insured by the Federal Deposit Insurance Corporation (FDIC), currently $250,000, management believes the Organization is not subject to unnecessary risk with respect to its cash balances. As of June 30, 2015, amounts on deposit in excess of the FDIC insurance limits totaled approximately $862,000.

NOTE 8. SUBSEQUENT EVENTS

Subsequent events have been evaluated through March 18, 2016, 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.