ISSUE ONE

FINANCIAL STATEMENTS

JUNE 30, 2017

CALIBRE
CPA GROUP
Bethesda, MD

ISSUE ONE

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2017 AND 2016

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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, 2017 and 2016, and the related statements of activities, functional expenses, and cash flows for the years 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 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.

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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, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Calibre CPA Group, PLLC

Bethesda, MD
January 30, 2018

Issue One

Statements of Financial Position

June 30, 2017 and 2016

	2017	2016
Assets		
Current assets		
Cash and cash equivalents	$ 1,026,650	$ 1,262,911
Short-term investments	-	202,042
Contributions receivable	514,667	122,725
Due from affiliate	-	5,255
Prepaid expenses	13,419	9,309
Total current assets	1,554,736	1,602,242
Noncurrent assets		
Contributions receivable, net of current portion	800,000	-
Property and equipment, net	94,078	117,551
Security deposit	29,424	29,424
Total assets	$ 2,478,238	$ 1,749,217
Liabilities and Net Assets		
Current liabilities		
Accounts payable	$ 140,285	$ 73,108
Due to affiliate	30	-
Accrued vacation	38,094	26,218
Deferred lease incentives	2,070	-
Total current liabilities	180,479	99,326
Noncurrent liabilities		
Deferred lease incentives, net of current portion	73,391	72,446
Total liabilities	253,870	171,772
Net assets		
Unrestricted		
Designated	400,000	200,000
Undesignated	920,216	1,152,549
Total unrestricted	1,320,216	1,352,549
Temporarily restricted	904,152	224,896
Total net assets	2,224,368	1,577,445
Total liabilities and net assets	$ 2,478,238	$ 1,749,217

See accompanying notes to financial statements.

Issue One

Statements of Activities

Years Ended June 30, 2017 and 2016

	2017			2016		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Support and revenue						
Foundations and major donors	$ 2,191,933	$ 1,060,000	$ 3,251,933	$ 2,278,536	$ 881,633	$ 3,160,169
Membership contributions	93,253	-	93,253	80,768	-	80,768
Other income	6,676	-	6,676	33,843	-	33,843
Net assets released from restrictions	380,744	(380,744)	-	1,002,829	(1,002,829)	-
Total support and revenue	2,672,606	679,256	3,351,862	3,395,976	(121,196)	3,274,780
Expenses						
Program services						
Bipartisan Community	1,386,130	-	1,386,130	1,250,818	-	1,250,818
Innovative Efforts	153,639	-	153,639	803,644	-	803,644
Total program services	1,539,769	-	1,539,769	2,054,462	-	2,054,462
Supporting services						
Management and general	457,845	-	457,845	376,124	-	376,124
Fund raising	707,325	-	707,325	428,579	-	428,579
Total supporting services	1,165,170	-	1,165,170	804,703	-	804,703
Total expenses	2,704,939	-	2,704,939	2,859,165	-	2,859,165
Change in net assets	(32,333)	679,256	646,923	536,811	(121,196)	415,615
Net assets						
Beginning of year	1,352,549	224,896	1,577,445	815,738	346,092	1,161,830
End of year	$ 1,320,216	$ 904,152	$ 2,224,368	$ 1,352,549	$ 224,896	$ 1,577,445

See accompanying notes to financial statements.

Issue One

Statement of Functional Expenses

Year Ended June 30, 2017

	Program Services						
	Bipartisan Community	Innovative Efforts	Total	Management and General	Fund Raising	Common Costs	Total
Salaries and fringe benefits	$ 850,302	$ 27,332	$ 877,634	$ 288,607	$ 408,072	$ 18,032	$ 1,592,345
Communications	17,650	36	17,686	3,000	120,564	5,577	146,827
Consulting services	306,475	12,420	318,895	27,530	50,219	900	397,544
Equipment and furnishings	-	-	-	-	-	44,628	44,628
Grant awards	-	102,500	102,500	-	-	-	102,500
Occupancy and operating	2,217	-	2,217	8,051	5,398	248,513	264,179
Professional services	15	-	15	49,174	8,901	833	58,923
Travel costs	26,740	2,188	28,928	24,232	30,269	14,564	97,993
Allocation of common costs	182,731	9,163	191,894	57,251	83,902	(333,047)	-
	$ 1,386,130	$ 153,639	$ 1,539,769	$ 457,845	$ 707,325	$ -	$ 2,704,939

See accompanying notes to financial statements.

Issue One

Statement of Functional Expenses

Year Ended June 30, 2016

	Program Services						
	Bipartisan Community	Innovative Efforts	Total	Management and General	Fund Raising	Common Costs	Total
Salaries and fringe benefits	$ 677,895	$ 95,360	$ 773,255	$ 216,283	$ 288,749	$ 3,230	$ 1,281,517
Communications	100,565	91,265	191,830	214	34,770	1,728	228,542
Consulting services	322,185	305,873	628,058	29,812	1,063	3,373	662,306
Equipment and furnishings	381	-	381	-	-	30,123	30,504
Grant awards	-	285,000	285,000	-	-	-	285,000
Occupancy and operating	3,933	40	3,973	6,374	6,042	204,431	220,820
Professional services	-	-	-	51,421	75	763	52,259
Travel costs	21,988	2,258	24,246	27,322	41,283	5,386	98,237
Allocation of common costs	123,871	23,848	147,719	44,698	56,597	(249,014)	-
Allocation of common costs to related organization	-	-	-	-	-	(20)	(20)
	$ 1,250,818	$ 803,644	$ 2,054,462	$ 376,124	$ 428,579	$ -	$ 2,859,165

See accompanying notes to financial statements.

Issue One

Statements of Cash Flows

Years Ended June 30, 2017 and 2016

	2017	2016
Cash flows from operating activities		
Change in net assets	$ 646,923	$ 415,615
Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities		
Depreciation	40,356	28,860
Gifts of securities held at year-end	-	(202,042)
(Increase) decrease in assets		
Contributions receivable	(1,191,942)	(42,725)
Due from affiliate	5,255	(4,644)
Prepaid expenses	(4,110)	4,280
Increase (decrease) in liabilities		
Accounts payable	67,177	9,675
Due to affiliate	30	-
Accrued vacation	11,876	(1,142)
Deferred lease incentives	3,015	16,338
Net cash provided by (used for) operating activities	(421,420)	224,215
Cash flows from investing activities		
Proceeds from sale of donated securities	202,042	-
Purchases of property and equipment	(16,883)	(51,159)
Net cash provided by (used for) investing activities	185,159	(51,159)
Net change in cash and cash equivalents	(236,261)	173,056
Cash and cash equivalents		
Beginning of year	1,262,911	1,089,855
End of year	$ 1,026,650	$ 1,262,911

See accompanying notes to financial statements.

ISSUE ONE

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2017 AND 2016

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. This is done 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, 2017 and 2016.

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 years ended June 30, 2017 and 2016, 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.

Short-Term Investments - Issue One at times receives gifts of donated securities. Such securities are held temporarily in a brokerage account until they can be sold and the proceeds transferred to an operating cash account. As of June 30, 2016, Issue One held donated securities with a fair value of $202,042, which were sold for that amount on July 1, 2016, and the proceeds transferred to an operating cash account. The fair value was based on the published closing price of the securities on a national exchange.

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.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 TO/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 owed Issue One Action $30 as of June 30, 2017, and Issue One Action owed Issue One $5,255 as of June 30, 2016, in connection with these shared expenses.

NOTE 4. PROPERTY AND EQUIPMENT

Property and equipment as of June 30, 2017 and 2016 consisted of the following:

	2017	2016
Furniture and equipment	$ 88,959	$ 80,714
Leasehold improvements	17,136	16,327
Software	62,922	55,093
	169,017	152,134
Less accumulated depreciation and amortization	(74,939)	(34,583)
	$ 94,078	$ 117,551

NOTE 5. DESIGNATED NET ASSETS

Issue One's Board of Directors has designated a portion of unrestricted net assets to be held in reserve to meet any potential serious, unexpected cash flow challenges. The Executive Committee of the Board must approve the use of any amounts so reserved. The amounts so designated as of June 30, 2017 and 2016 were $400,000 and $200,000, respectively.

NOTE 6. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets as of June 30, 2017 and 2016 were subject to restriction as follows:

	2017	2016
Bipartisan Community		
Organizational legal expenses	$ 43,135	$ 66,379
Innovative Efforts		
Catalytic grantmaking	31,017	158,517
Time restrictions only	830,000	-
	$ 904,152	$ 224,896

Net assets were released from restriction during 2017 and 2016 to fund programs and other expenses as follows:

	2017	2016
Bipartisan Community	$ 123,244	$ 341,600
Innovative Efforts	227,500	661,229
Time restrictions	30,000	-
	$ 380,744	$ 1,002,829

NOTE 7. RETIREMENT BENEFITS

Effective April 1, 2015, the Organization replaced its former Simplified Employee Pension Plan with a traditional Section 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 years ended June 30, 2017 and 2016 was $36,608 and $30,643, respectively.

NOTE 8. LEASES

Issue One conducts its operations from facilities located in Washington, D.C. under an office lease agreement commencing April 1, 2016 and expiring on November 30, 2023. The landlord agreed to reimburse Issue One for certain moving costs in the amount of $20,840, and to abate rent for the first three 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 are due as follows:

Year Ending June 30,	2018	$ 208,497
	2019	213,709
	2020	219,052
	2021	224,528
	2022	230,141
	2023	97,679
		$ 1,193,606

Total rent expense recognized in the financial statements for the years ended June 30, 2017 and 2016 was $206,075 and $160,823, respectively.

NOTE 9. 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, 2017, amounts on deposit in excess of the FDIC insurance limits totaled approximately $816,000.

NOTE 10. SUBSEQUENT EVENTS

Subsequent events have been evaluated through January 30, 2018, 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.