ISSUE ONE

FINANCIAL STATEMENTS

JUNE 30, 2018

CALIBRE
CPA GROUP

ISSUE ONE

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2018 AND 2017

CONTENTS

CALIBRE
CPA GROUP

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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, 2018 and 2017, 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.

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, 2018 and 2017, 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 25, 2019

Issue One

Statements of Financial Position

June 30, 2018 and 2017

	2018	2017
Assets		
Current assets		
Cash and cash equivalents	$ 1,140,793	$ 1,026,650
Contributions receivable	1,040,000	514,667
Prepaid expenses	10,881	13,419
Total current assets	2,191,674	1,554,736
Noncurrent assets		
Contributions receivable, net of current portion	160,000	800,000
Property and equipment, net	55,036	94,078
Security deposit	29,424	29,424
Total assets	$ 2,436,134	$ 2,478,238
Liabilities and Net Assets		
Current liabilities		
Accounts payable	$ 111,701	$ 140,285
Due to affiliate	9,484	30
Accrued vacation	38,265	38,094
Deferred rent	7,283	2,070
Total current liabilities	166,733	180,479
Noncurrent liabilities		
Deferred rent, net of current portion	66,108	73,391
Total liabilities	232,841	253,870
Net assets		
Unrestricted		
Designated	600,000	400,000
Undesignated	702,844	920,216
Total unrestricted	1,302,844	1,320,216
Temporarily restricted	900,449	904,152
Total net assets	2,203,293	2,224,368
Total liabilities and net assets	$ 2,436,134	$ 2,478,238

See accompanying notes to financial statements.

Issue One

Statements of Activities

Years Ended June 30, 2018 and 2017

	2018			2017		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Support and revenue						
Foundations and major donors	$ 1,788,238	$ 1,298,473	$ 3,086,711	$ 2,191,933	$ 1,060,000	$ 3,251,933
Membership contributions	152,121	-	152,121	93,253	-	93,253
Other income	23,430	-	23,430	6,676	-	6,676
Net assets released from restrictions	1,302,176	(1,302,176)	-	380,744	(380,744)	-
Total support and revenue	3,265,965	(3,703)	3,262,262	2,672,606	679,256	3,351,862
Expenses						
Program services						
Public Education and Advocacy	467,932	-	467,932	292,045	-	292,045
Congressional Leadership and Engagement	910,081	-	910,081	327,061	-	327,061
Field Capacity Building	1,003,346	-	1,003,346	920,663	-	920,663
Total program services	2,381,359	-	2,381,359	1,539,769	-	1,539,769
Supporting services						
Management and general	348,041	-	348,041	457,845	-	457,845
Fund raising	553,937	-	553,937	707,325	-	707,325
Total supporting services	901,978	-	901,978	1,165,170	-	1,165,170
Total expenses	3,283,337	-	3,283,337	2,704,939	-	2,704,939
Change in net assets	(17,372)	(3,703)	(21,075)	(32,333)	679,256	646,923
Net assets						
Beginning of year	1,320,216	904,152	2,224,368	1,352,549	224,896	1,577,445
End of year	$ 1,302,844	$ 900,449	$ 2,203,293	$ 1,320,216	$ 904,152	$ 2,224,368

See accompanying notes to financial statements.

Issue One

Statement of Functional Expenses

Year Ended June 30, 2018

	Program Services							
	Public Education and Advocacy	Congressional Leadership and Engagement	Field Capacity Building	Total	Management and General	Fund Raising	Common Costs	Total
Salaries and fringe benefits	$ 461,747	$ 24,559	$ 538,940	$ 1,025,246	$ 194,919	$ 345,480	$ 15,673	$ 1,581,318
Communications	5,280	212,085	13,147	230,512	3,047	38,513	25,268	297,340
Consulting services	-	495,559	69,400	564,959	22,850	51,741	9,433	648,983
Equipment and furnishings	-	-	-	-	-	-	42,138	42,138
Grant awards	-	-	251,810	251,810	-	-	-	251,810
Occupancy and operating	-	1,063	655	1,718	6,913	5,663	242,934	257,228
Professional services	-	-	-	-	51,611	9,540	1,924	63,075
Travel costs	26	64,555	16,721	81,302	22,080	25,419	20,005	148,806
Allocation of common costs	879	112,260	112,673	225,812	46,621	77,581	(350,014)	-
Allocation of common costs to related organizations	-	-	-	-	-	-	(7,361)	(7,361)
	$ 467,932	$ 910,081	$ 1,003,346	$ 2,381,359	$ 348,041	$ 553,937	$ -	$ 3,283,337

See accompanying notes to financial statements.

Issue One

Statement of Functional Expenses

Year Ended June 30, 2017

	Program Services							
	Public Education and Advocacy	Congressional Leadership and Engagement	Field Capacity Building	Total	Management and General	Fund Raising	Common Costs	Total
Salaries and fringe benefits	$ 272,836	$ 566	$ 604,233	$ 877,635	$ 288,607	$ 408,072	$ 18,032	$ 1,592,346
Communications	36	11,459	6,191	17,686	3,000	120,564	5,577	146,827
Consulting services	12,420	233,230	73,245	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	-	948	1,269	2,217	8,051	5,398	248,513	264,179
Professional services	-	-	15	15	49,174	8,901	833	58,923
Travel costs	2,188	13,691	13,050	28,929	24,232	30,269	14,564	97,994
Allocation of common costs	4,565	67,167	120,160	191,892	57,251	83,902	(333,045)	-
Allocation of common costs to related organization	-	-	-	-	-	-	(2)	(2)
	$ 292,045	$ 327,061	$ 920,663	$ 1,539,769	$ 457,845	$ 707,325	$ -	$ 2,704,939

See accompanying notes to financial statements.

ISSUE ONE

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2018 AND 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ (21,075)	$ 646,923
Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities		
Depreciation	40,416	40,356
Changes in assets		
Contributions receivable	114,667	(1,191,942)
Due from affiliate	-	5,255
Prepaid expenses	2,538	(4,110)
Changes in liabilities		
Accounts payable	(28,584)	67,177
Due to affiliate	9,454	30
Accrued vacation	171	11,876
Deferred rent	(2,070)	3,015
Net cash provided by (used for) operating activities	115,517	(421,420)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of donated securities	-	202,042
Purchases of property and equipment	(1,374)	(16,883)
Net cash provided by (used for) investing activities	(1,374)	185,159
NET CHANGE IN CASH AND CASH EQUIVALENTS	114,143	(236,261)
CASH AND CASH EQUIVALENTS		
Beginning of year	1,026,650	1,262,911
End of year	$1,140,793	$1,026,650

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. 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, 2018 and 2017.

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, 2018 and 2017, 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.

Contributions Receivable – Unconditional promises to give that are expected to be collected within one year are reported at net realizable value. Unconditional promises to give that are expected to be collected in more than one year are generally reported at fair value, which is measured as the net present value of their expected future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received, and amortization of the discounts is included in contribution revenue. For the years ended June 30, 2018 and 2017, such discounts were not considered material to the financial statements and so were not recorded.

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. The fair value is 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.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Reclassifications - Certain reclassifications for expenses have been made to the year 2017 amounts to conform to the presentation for the year 2018.

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. Total expenses allocated to Issue One Action were $30,644 for the year ended June 30, 2018, and $368,440 for the year ended June 30, 2017. Issue One owed Issue One Action $9,484 and $30 as of June 30, 2018 and 2017, respectively, in connection with these shared expenses.

NOTE 4. CONTRIBUTIONS RECEIVABLE

Contributions receivable as of June 30, 2018 and 2017, are as follows:

	2018	2017
Due in less than one year	$ 1,040,000	$ 514,667
Due in one to five years	160,000	800,000
	$ 1,200,000	$ 1,314,667

NOTE 5. PROPERTY AND EQUIPMENT

Property and equipment as of June 30, 2018 and 2017 consisted of the following:

	2018	2017
Furniture and equipment	$ 90,333	$ 88,959
Leasehold improvements	17,136	17,136
Software	62,922	62,922
	170,391	169,017
Less: accumulated depreciation and amortization	(115,355)	(74,939)
	$ 55,036	$ 94,078

NOTE 6. 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, 2018 and 2017 were $600,000 and $400,000, respectively.

NOTE 7. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets as of June 30, 2018 and 2017 were subject to restriction as follows:

	2018	2017
Congressional Leadership and Engagement		
Organizational legal expenses	$ 44,933	$ 43,135
Rebuild Congress Initiative	12,107	-
Field Capacity Building		
New Mexico Messaging	43,409	-
Catalytic grantmaking	-	31,017
Time restrictions only	800,000	830,000
	$ 900,449	$ 904,152

NOTE 7. TEMPORARILY RESTRICTED NET ASSETS (CONTINUED)

Net assets were released from restriction during 2018 and 2017 to fund programs and other expenses as follows:

	2018	2017
Congressional Leadership and Engagement	$ 834,568	$ 123,244
Field Capacity Building	37,608	227,500
Time restrictions	430,000	30,000
	$ 1,302,176	$ 380,744

NOTE 8. RETIREMENT BENEFITS

Effective April 1, 2015, the Organization replaced its former Simplified Employee Pension Plan with a traditional Section 401(k) Plan. As of January 1, 2017 the plan was amended to change the eligibility requirements from employees with 1 year of service to employees with 6 months 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, 2018 and 2017 was $44,000 and $36,608, respectively.

NOTE 9. 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,	2019	$ 213,709
	2020	219,052
	2021	224,528
	2022	230,141
	2023	97,679
		$ 985,109

Total rent expense recognized in the financial statements for the years ended June 30, 2018 and 2017 was $206,427 and $206,075, respectively.

NOTE 10. 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, 2018, amounts on deposit in excess of the FDIC insurance limits totaled approximately $647,000.

NOTE 11. SUBSEQUENT EVENTS

Subsequent events have been evaluated through January 25, 2019, 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.