

ISSUE ONE
FINANCIAL STATEMENTS
JUNE 30, 2019

ISSUE ONE

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2019 AND 2018

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REPORT OF INDEPENDENT AUDITORS

Board of Directors
Issue One

We have audited the accompanying financial statements of Issue One (the Organization), which comprise the statements of financial position as of June 30, 2019 and 2018, 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 Organization'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 Organization'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, 2019 and 2018, 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.

CaliberCPAGroup, PLLC

Bethesda, MD
February 13, 2020

ISSUE ONE

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2019 AND 2018

	2019	2018
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,075,780	\$ 1,140,793
Contributions receivable	1,271,700	1,040,000
Due from affiliate	3,955	-
Prepaid expenses	21,434	10,881
Total current assets	2,372,869	2,191,674
NONCURRENT ASSETS		
Contributions receivable, net of current portion	25,000	160,000
Property and equipment, net	109,337	55,036
Security deposit	49,237	29,424
Total assets	\$ 2,556,443	\$ 2,436,134
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 187,985	\$ 111,701
Due to affiliate	-	9,484
Accrued vacation	31,222	38,265
Deferred lease incentives	26,288	7,283
Total current liabilities	245,495	166,733
NONCURRENT LIABILITIES		
Deferred lease incentives, net of current portion	98,961	66,108
Total liabilities	344,456	232,841
NET ASSETS		
Without donor restrictions		
Designated	450,000	600,000
Undesignated	686,393	702,844
Total without donor restrictions	1,136,393	1,302,844
With donor restrictions	1,075,594	900,449
Total net assets	2,211,987	2,203,293
Total liabilities and net assets	\$ 2,556,443	\$ 2,436,134

See accompanying notes to financial statements.

ISSUE ONE

STATEMENTS OF ACTIVITIES

YEARS ENDED JUNE 30, 2019 AND 2018

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE						
Foundations and major donors	\$ 2,428,503	2,227,746	\$ 4,656,249	\$ 1,788,238	\$ 1,298,473	\$ 3,086,711
Membership contributions	-	-	-	152,121	-	152,121
Other income	18,631	-	18,631	23,430	-	23,430
Net assets released from restrictions	<u>2,052,601</u>	<u>(2,052,601)</u>	<u>-</u>	<u>1,302,176</u>	<u>(1,302,176)</u>	<u>-</u>
Total support and revenue	<u>4,499,735</u>	<u>175,145</u>	<u>4,674,880</u>	<u>3,265,965</u>	<u>(3,703)</u>	<u>3,262,262</u>
EXPENSES						
Program services						
Public Education and Advocacy	1,380,163	-	1,380,163	467,932	-	467,932
Congressional Leadership and Engagement	1,624,410	-	1,624,410	910,081	-	910,081
Field Capacity Building	639,035	-	639,035	1,003,346	-	1,003,346
Total program services	<u>3,643,608</u>	<u>-</u>	<u>3,643,608</u>	<u>2,381,359</u>	<u>-</u>	<u>2,381,359</u>
Supporting services						
Management and general	402,289	-	402,289	348,041	-	348,041
Fund raising	620,289	-	620,289	553,937	-	553,937
Total supporting services	<u>1,022,578</u>	<u>-</u>	<u>1,022,578</u>	<u>901,978</u>	<u>-</u>	<u>901,978</u>
Total expenses	<u>4,666,186</u>	<u>-</u>	<u>4,666,186</u>	<u>3,283,337</u>	<u>-</u>	<u>3,283,337</u>
CHANGE IN NET ASSETS	(166,451)	175,145	8,694	(17,372)	(3,703)	(21,075)
NET ASSETS						
Beginning of year	<u>1,302,844</u>	<u>900,449</u>	<u>2,203,293</u>	<u>1,320,216</u>	<u>904,152</u>	<u>2,224,368</u>
End of year	<u>\$ 1,136,393</u>	<u>\$ 1,075,594</u>	<u>\$ 2,211,987</u>	<u>\$ 1,302,844</u>	<u>\$ 900,449</u>	<u>\$ 2,203,293</u>

See accompanying notes to financial statements.

ISSUE ONE

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2019

	Program Services					Management and General	Fund Raising	Common Costs	Total
	Public Education and Advocacy	Congressional Leadership and Engagement	Field Capacity Building	Total					
Salaries and fringe benefits	\$ 532,407	\$ 660,967	\$ 331,121	\$ 1,524,495	\$ 280,718	\$ 391,972	\$ 17,747	\$ 2,214,932	
Communications	165,844	77,513	40,099	283,456	2,544	70,320	8,757	365,077	
Consulting services	110,045	629,178	100,607	839,830	287	42,216	2,487	884,820	
Equipment and furnishings	631	-	6,793	7,424	(6)	480	27,599	35,497	
Grant awards	100,000	-	75,000	175,000	-	-	-	175,000	
Occupancy and operating	1,570	3,065	60,838	65,473	5,583	5,030	244,685	320,771	
Professional services	373,067	1,080	4,720	378,867	52,260	9,582	3,420	444,129	
Travel costs	7,132	132,956	8,062	148,150	22,759	39,151	23,538	233,598	
Allocation of common costs	89,467	119,651	11,795	220,913	38,144	61,538	(320,595)	-	
Allocation of common costs to related organization	-	-	-	-	-	-	(7,638)	(7,638)	
	<u>\$ 1,380,163</u>	<u>\$ 1,624,410</u>	<u>\$ 639,035</u>	<u>\$ 3,643,608</u>	<u>\$ 402,289</u>	<u>\$ 620,289</u>	<u>\$ -</u>	<u>\$ 4,666,186</u>	

See accompanying notes to financial statements.

ISSUE ONE

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2018

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

ISSUE ONE

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2019 AND 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 8,694	\$ (21,075)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	32,391	40,416
Changes in assets		
Contributions receivable	(96,700)	114,667
Due from affiliate	(3,955)	-
Prepaid expenses	(10,553)	2,538
Changes in liabilities		
Accounts payable	76,284	(28,584)
Due to affiliate	(9,484)	9,454
Accrued vacation	(7,043)	171
Deferred lease incentives	18,213	(2,070)
Net cash provided by operating activities	7,847	115,517
CASH FLOWS FROM INVESTING ACTIVITIES		
Additional security deposits made	(19,813)	-
Purchases of property and equipment	(53,047)	(1,374)
Net cash used for investing activities	(72,860)	(1,374)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(65,013)	114,143
CASH AND CASH EQUIVALENTS		
Beginning of year	1,140,793	1,026,650
End of year	\$ 1,075,780	\$ 1,140,793
SUPPLEMENTAL DISCLOSURE		
Leasehold improvements acquired through lease incentives	\$ 33,645	\$ -

See accompanying notes to financial statements.

ISSUE ONE

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2019 AND 2018

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.

Financial Statement Presentation - Financial statement presentation follows the recommendations of U.S. generally accepted accounting principles in accordance with Financial Accounting Standards Board Accounting Standards Codification (ASC), *Not-for-Profit Entities - Presentation of Financial Statements*. Under those principles, the Organization is required to report information regarding its financial position and activities according to two classes of net assets:

Net assets without donor restrictions - These net assets are available to finance the general operations of the Organization. The only limits on the use of net assets without donor restrictions are the broad limits resulting from the nature of the Organization, the environment in which it operates, and the purposes specified in its organizing documents.

Net assets with donor restrictions - These net assets result from contributions and other inflows of assets, the use of which by the Organization is limited by donor-imposed time or purpose restrictions that are either temporary or perpetual. As of June 30, 2019 and 2018, the Organization had no net assets subject to perpetual donor restrictions.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 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, 2019 and 2018, 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, 2019 and 2018, such discounts were not considered material to the financial statements and so were not recorded. Management evaluated the collectability of all contributions receivable and determined that no allowance for uncollectible amounts were necessary at June 30, 2019 and 2018.

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 Allocation of Expenses - The costs of providing the various programs and supporting activities of the Organization have been summarized on a functional basis in the statements of activities and functional expenses. Costs that can be specifically identified with a final cost objective are charged directly to that activity. Other costs are allocated among the program and supporting services benefited based on management's best estimates. Salaries and related fringe benefits are allocated based on employee time and effort studies. Information technology costs are allocated based on the relative benefit of related activity use. Other common costs such as occupancy, depreciation and related infrastructure costs are allocated based on employee time and effort studies

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.

New Accounting Pronouncement Adopted - During the year ended June 30, 2019, Issue One adopted the provisions of Accounting Standards Update 2016-14, *Not-for-Profit Entities: Presentation of Financial Statements of Not-for-Profit Entities* (the Update). The Update amends the reporting model for not-for-profit organizations and enhances required disclosures. The major changes include: requiring the presentation of only two classes of net assets - those with donor restrictions and those without donor restrictions; requiring all not-for-profits to present an analysis of expenses by both function and nature in a single location, generally as a separate financial statement or by disclosure in the notes, and to provide additional information about the methods used to allocate costs across functional reporting categories; requiring disclosure of both quantitative and qualitative information about liquidity and the availability of financial resources; and requiring the presentation of investment return net of all external and direct internal expenses.

Reclassifications - Certain reclassifications have been made to the amounts previously reported for 2018 to conform to the 2019 presentation.

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 \$41,866 for the year ended June 30, 2019, and \$30,644 for the year ended June 30, 2018. Issue One Action owed Issue One \$3,955 at June 30, 2019, and Issue One owed Issue One Action \$9,484 as of 2018, in connection with these shared expenses.

NOTE 4. CONTRIBUTIONS RECEIVABLE

Contributions receivable as of June 30, 2019 and 2018, are due as follows:

	<u>2019</u>	<u>2018</u>
Due in less than one year	\$ 1,271,700	\$ 1,040,000
Due in one to five years	<u>25,000</u>	<u>160,000</u>
	<u>\$ 1,296,700</u>	<u>\$ 1,200,000</u>

NOTE 5. LIQUIDITY AND AVAILABILITY OF RESOURCES

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, the Organization has the ability, upon approval by the Executive Committee of the Board of Directors, to access amounts designated to help meet unexpected cash flow challenges in the amount of \$450,000 as of June 30, 2019, and \$600,000 as of June 30, 2018. The following table represents Issue One's financial assets available to meet cash needs for general expenditures within one year of June 30, 2019 and 2018.

	<u>2019</u>	<u>2018</u>
Total financial assets at end of year		
Cash and cash equivalents	\$ 1,075,780	\$ 1,140,793
Contributions receivable	1,296,700	1,200,000
Due from affiliate	<u>3,955</u>	<u>-</u>
	2,376,435	2,340,793
Less amounts not available for general expenditures coming due within one year		
Amounts subject to donor restrictions	(1,075,594)	(900,449)
Board designated amounts	<u>(450,000)</u>	<u>(600,000)</u>
Total financial assets available for general expenditures coming due within one year	<u>\$ 850,841</u>	<u>\$ 840,344</u>

NOTE 6. PROPERTY AND EQUIPMENT

Property and equipment as of June 30, 2019 and 2018 consisted of the following:

	<u>2019</u>	<u>2018</u>
Furniture and equipment	\$ 137,940	\$ 90,333
Leasehold improvements	56,221	17,136
Software	<u>62,922</u>	<u>62,922</u>
	257,083	170,391
Less: accumulated depreciation and amortization	<u>(147,746)</u>	<u>(115,355)</u>
	<u>\$ 109,337</u>	<u>\$ 55,036</u>

NOTE 7. DESIGNATED NET ASSETS

Issue One's Board of Directors has designated a portion of net assets without donor restrictions 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, 2019 and 2018 were \$450,000 and \$600,000, respectively.

NOTE 8. NET ASSETS WITH TEMPORARY DONOR RESTRICTIONS

Net assets subject to temporary donor restrictions as of June 30, 2019 and 2018 were subject to restriction as follows:

	<u>2019</u>	<u>2018</u>
Public Education and Advocacy		
Organizational legal expenses	\$ 46,933	\$ 44,933
Fiscal sponsorship	41,043	-
Congressional Leadership and Engagement		
Rebuild Congress Initiative	55,949	12,107
Field Capacity Building		
The Fulcrum	449,190	-
New Mexico Messaging	22,479	43,409
Time restrictions only	<u>460,000</u>	<u>800,000</u>
	<u>\$ 1,075,594</u>	<u>\$ 900,449</u>

NOTE 8. NET ASSETS WITH TEMPORARY DONOR RESTRICTIONS (CONTINUED)

Net assets were released from restriction during 2019 and 2018 to fund programs and other expenses as follows:

	<u>2019</u>	<u>2018</u>
Public Education and Advocacy	\$ 421,308	\$ -
Congressional Leadership and Engagement	437,053	834,568
Field Capacity Building	554,240	37,608
Time restrictions	<u>640,000</u>	<u>430,000</u>
	<u>\$ 2,052,601</u>	<u>\$ 1,302,176</u>

NOTE 9. RETIREMENT BENEFITS

The Organization sponsors a Section 401(k) Plan retirement plan for employees. Employees become eligible to participate in the plan after six months of employment, and the plan 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, 2019 and 2018 was \$62,360 and \$44,742, respectively.

NOTE 10. LEASES

Issue One conducts its operations from two facilities located in Washington, D.C. under office lease agreements expiring on November 30, 2022. The lease agreements provided for periods of rent abatement and reimbursement of certain moving and leasehold improvement costs. The total rent payments due under the terms of the leases are recognized in the financial statements on a straight-line basis. Future minimum lease payments required under these leases are due as follows:

Year Ending June 30,	2020	\$ 338,922
	2021	339,707
	2022	345,320
	2023	<u>145,670</u>
		<u>\$ 1,169,619</u>

Total rent expense recognized in the financial statements for the years ended June 30, 2019 and 2018 was \$241,829 and \$206,427, respectively.

NOTE 11. 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, 2019, amounts on deposit in excess of the FDIC insurance limits totaled approximately \$613,000.

NOTE 12. SUBSEQUENT EVENTS

Subsequent events have been evaluated through February 13, 2020, which is the date the financial statements were available to be issued. This review and evaluation revealed no material event or transaction which would require an adjustment to or disclosure in the accompanying financial statements.