

ISSUE ONE
FINANCIAL STATEMENTS
JUNE 30, 2020

ISSUE ONE

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2020 AND 2019

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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, 2020 and 2019, 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, 2020 and 2019, 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
January 25, 2021

ISSUE ONE

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2020 AND 2019

	2020	2019
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,597,518	\$ 1,075,780
Contributions receivable	636,368	1,271,700
Due from affiliate	11,944	3,955
Prepaid expenses	8,318	21,434
Total current assets	2,254,148	2,372,869
NONCURRENT ASSETS		
Contributions receivable, net of current portion	-	25,000
Property and equipment, net	82,144	109,337
Trademark	16,988	-
Security deposit	49,237	49,237
Total assets	\$ 2,402,517	\$ 2,556,443
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 109,342	\$ 187,985
Accrued vacation	82,299	31,222
Refundable advance	53,655	-
Deferred lease incentives	34,761	26,288
Total current liabilities	280,057	245,495
NONCURRENT LIABILITIES		
Deferred lease incentives, net of current portion	64,200	98,961
Total liabilities	344,257	344,456
NET ASSETS		
Without donor restrictions		
Designated	600,000	450,000
Undesignated	633,945	686,393
Total without donor restrictions	1,233,945	1,136,393
With donor restrictions	824,315	1,075,594
Total net assets	2,058,260	2,211,987
Total liabilities and net assets	\$ 2,402,517	\$ 2,556,443

See accompanying notes to financial statements.

ISSUE ONE

STATEMENTS OF ACTIVITIES

YEARS ENDED JUNE 30, 2020 AND 2019

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE						
Foundations and major donors	\$ 2,591,744	\$ 2,353,627	\$ 4,945,371	\$ 2,428,503	\$ 2,227,746	\$ 4,656,249
In-kind contributions	67,500	-	67,500	-	-	-
Other income	25,840	-	25,840	18,631	-	18,631
Net assets released from restrictions	<u>2,604,906</u>	<u>(2,604,906)</u>	<u>-</u>	<u>2,052,601</u>	<u>(2,052,601)</u>	<u>-</u>
Total support and revenue	<u>5,289,990</u>	<u>(251,279)</u>	<u>5,038,711</u>	<u>4,499,735</u>	<u>175,145</u>	<u>4,674,880</u>
EXPENSES						
Program services						
Public Education and Advocacy	1,137,784	-	1,137,784	1,380,163	-	1,380,163
Congressional Leadership and Engagement	1,802,333	-	1,802,333	1,624,410	-	1,624,410
Field Capacity Building	1,198,178	-	1,198,178	639,035	-	639,035
Total program services	<u>4,138,295</u>	<u>-</u>	<u>4,138,295</u>	<u>3,643,608</u>	<u>-</u>	<u>3,643,608</u>
Supporting services						
Management and general	461,950	-	461,950	402,289	-	402,289
Fund raising	592,193	-	592,193	620,289	-	620,289
Total supporting services	<u>1,054,143</u>	<u>-</u>	<u>1,054,143</u>	<u>1,022,578</u>	<u>-</u>	<u>1,022,578</u>
Total expenses	<u>5,192,438</u>	<u>-</u>	<u>5,192,438</u>	<u>4,666,186</u>	<u>-</u>	<u>4,666,186</u>
CHANGE IN NET ASSETS	97,552	(251,279)	(153,727)	(166,451)	175,145	8,694
NET ASSETS						
Beginning 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>
End of year	<u>\$ 1,233,945</u>	<u>\$ 824,315</u>	<u>\$ 2,058,260</u>	<u>\$ 1,136,393</u>	<u>\$ 1,075,594</u>	<u>\$ 2,211,987</u>

See accompanying notes to financial statements.

ISSUE ONE

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2020

	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	\$ 710,652	\$ 768,702	838,347	\$ 2,317,701	\$ 320,515	\$ 440,283	\$ 21,150	\$ 3,099,649	
Communications	72,980	30,354	38,353	141,687	702	51,761	10,244	204,394	
Consulting services	91,625	800,130	106,716	998,471	15,099	7,414	3,701	1,024,685	
Equipment and furnishings	-	-	17,952	17,952	5,804	-	16,922	40,678	
Grant awards	36,063	-	50,000	86,063	-	-	-	86,063	
Occupancy and operating	2,771	4,077	123,760	130,608	11,975	3,059	242,778	388,420	
Professional services	66,445	1,778	13,466	81,689	53,758	10,550	4,589	150,586	
Travel costs	5,327	73,542	6,733	85,602	10,963	22,855	13,969	133,389	
In-Kind	40,000	25,000	-	65,000	2,500	-	(310,427)	67,500	
Allocation of common costs	111,921	98,750	2,851	213,522	40,634	56,271	-	-	
Allocation of common costs to related organization	-	-	-	-	-	-	(2,926)	(2,926)	
	<u>\$ 1,137,784</u>	<u>\$ 1,802,333</u>	<u>\$ 1,198,178</u>	<u>\$ 4,138,295</u>	<u>\$ 461,950</u>	<u>\$ 592,193</u>	<u>\$ -</u>	<u>\$ 5,192,438</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

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2020 AND 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (153,727)	\$ 8,694
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	33,509	32,391
Changes in assets		
Contributions receivable	660,332	(96,700)
Due from affiliate	(7,989)	(3,955)
Prepaid expenses	13,116	(10,553)
Changes in liabilities		
Accounts payable	(78,643)	76,284
Due to affiliate	-	(9,484)
Accrued vacation	51,077	(7,043)
Refundable advance	53,655	-
Deferred lease incentives	(26,288)	18,213
Net cash provided by operating activities	545,042	7,847
CASH FLOWS FROM INVESTING ACTIVITIES		
Additional security deposits made	-	(19,813)
Capitalized trademark costs	(16,988)	-
Purchases of property and equipment	(6,316)	(53,047)
Net cash used for investing activities	(23,304)	(72,860)
NET CHANGE IN CASH AND CASH EQUIVALENTS	521,738	(65,013)
CASH AND CASH EQUIVALENTS		
Beginning of year	1,075,780	1,140,793
End of year	\$ 1,597,518	\$ 1,075,780
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, 2020 AND 2019

NOTE 1. ORGANIZATION AND NATURE OF OPERATIONS

Issue One (the Organization) is a nonprofit advocacy organization that advances political reforms that strengthen democracy. We unite Republicans, Democrats, and independents in the movement to increase transparency, strengthen ethics and accountability, reduce the influence of big money in politics, and to protect U.S. elections. We are dedicated to building a cross partisan movement, educating the public and decision-makers on Capitol Hill, and passing bipartisan legislation.

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, 2020 and 2019, 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, 2020 and 2019, 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, 2020 and 2019, 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, 2020 and 2019.

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)

Intangible Assets - Trademarks are capitalized at cost or fair value, and amortized on a straight-line basis over their estimated useful lives, dependent on the offer period.

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.

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 \$26,460 for the year ended June 30, 2020 and \$41,866 for the year ended June 30, 2019. Issue One Action owed Issue One \$11,944 and \$3,955 as of June 30, 2020 and 2019, respectively, in connection with these shared expenses.

NOTE 4. CONTRIBUTIONS RECEIVABLE

Contributions receivable as of June 30, 2020 and 2019, are due as follows:

	<u>2020</u>	<u>2019</u>
Due in less than one year	\$ 636,368	\$ 1,271,700
Due in one to five years	-	25,000
	<u>\$ 636,368</u>	<u>\$ 1,296,700</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 \$600,000 as of June 30, 2020, and \$450,000 as of June 30, 2019. The following table represents Issue One's financial assets available to meet cash needs for general expenditures within one year of June 30, 2020 and 2019.

	<u>2020</u>	<u>2019</u>
Total financial assets at end of year		
Cash and cash equivalents	\$ 1,597,518	\$ 1,075,780
Contributions receivable	636,368	1,296,700
Due from affiliate	<u>11,944</u>	<u>3,955</u>
	2,245,830	2,376,435
Less amounts not available for general expenditures coming due within one year		
Amounts subject to donor purpose restrictions	(549,315)	(615,594)
Amounts subject to donor time restrictions	-	(25,000)
Board designated amounts	<u>(600,000)</u>	<u>(450,000)</u>
Total financial assets available for general expenditures coming due within one year	<u>\$ 1,096,515</u>	<u>\$ 1,285,841</u>

NOTE 6. PROPERTY AND EQUIPMENT

Property and equipment as of June 30, 2020 and 2019 consisted of the following:

	<u>2020</u>	<u>2019</u>
Furniture and equipment	\$ 144,256	\$ 137,940
Leasehold improvements	56,221	56,221
Software	<u>62,922</u>	<u>62,922</u>
	263,399	257,083
Less: accumulated depreciation and amortization	<u>(181,255)</u>	<u>(147,746)</u>
	<u>\$ 82,144</u>	<u>\$ 109,337</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, 2020 and 2019 were \$600,000 and \$450,000, respectively.

NOTE 8. NET ASSETS WITH TEMPORARY DONOR RESTRICTIONS

Net assets subject to temporary donor restrictions as of June 30, 2020 and 2019 were subject to restriction as follows:

	<u>2020</u>	<u>2019</u>
Public Education and Advocacy		
Organizational legal expenses	\$ 72,933	\$ 46,933
Fiscal sponsorship	-	41,043
Congressional Leadership and Engagement		
Rebuild Congress Initiative	155,157	55,949
Fix the System	124,287	-
Field Capacity Building		
The Fulcrum	196,938	449,190
New Mexico Messaging	-	22,479
Time restrictions only	<u>275,000</u>	<u>460,000</u>
	<u>\$ 824,315</u>	<u>\$ 1,075,594</u>

Net assets were released from restriction during 2020 and 2019 to fund programs and other expenses as follows:

	<u>2020</u>	<u>2019</u>
Public Education and Advocacy	\$ 131,507	\$ 421,308
Congressional Leadership and Engagement	908,357	437,053
Field Capacity Building	1,130,042	554,240
Time restrictions	<u>435,000</u>	<u>640,000</u>
	<u>\$ 2,604,906</u>	<u>\$ 2,052,601</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, 2020 and 2019 was \$97,885 and \$62,360, respectively.

NOTE 10. PAYCHECK PROTECTION PROGRAM LOAN

During the year ended June 30, 2020, Issue One received a Paycheck Protection Program (PPP) loan in the amount of \$403,655, made available under the Coronavirus Aid, Relief, and Economic Security (CARES) Act. Provided Issue One complies with applicable provisions of the CARES Act, the PPP loan is eligible to be forgiven in full. As of year-end, management believes Issue One has complied with the applicable provisions and incurred eligible expenses of \$350,000. Accordingly, that amount of the loan has been recognized as contribution revenue for the year ended June 30, 2020, and the remaining amount of \$53,655 is reported as a refundable advance. Management intends to apply for forgiveness of the loan during the fiscal year ending June 30, 2021.

NOTE 11. 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,	2021	\$	339,707
	2022		345,320
	2023		<u>145,670</u>
		\$	<u>830,697</u>

Total rent expense recognized in the financial statements for the years ended June 30, 2020 and 2019 was \$310,571 and \$241,829, respectively.

NOTE 12. 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, 2020, amounts on deposit in excess of the FDIC insurance limits totaled approximately \$1,097,000.

NOTE 13. SUBSEQUENT EVENTS

U.S and global business and financial markets continue to be significantly impacted by the Coronavirus pandemic, the impact of which on the Organization's financial position and operations cannot be determined at this time. Subsequent events have been evaluated through January 25, 2021, which is the date the financial statements were available to be issued and revealed no other material event or transaction which would require an adjustment to or disclosure in the accompanying financial statements.