

**Represent.Us Education Fund
Financial Statements
December 31, 2018**

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NOLAN, CALCASOLA & CO, P.C.

Certified Public Accountants

Independent Auditor's Report

***To the Members of the Board of Directors
Represent.Us Education Fund***

Report on the Financial Statements

We have audited the accompanying statement of financial position of Represent.Us Education Fund (a nonprofit organization), as of December 31, 2018 and the related statements of activities, cash flows, and functional expenses for the year 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit 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 in the first paragraph present fairly, in all material respects, the financial position of Represent.Us Education Fund as of December 31, 2018, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Nolan, Calcasola & CO, P.C.

East Longmeadow, Massachusetts
November 1, 2019

Represent.Us Education Fund
Statement of Financial Position
December 31, 2018

Assets

Current Assets:

Cash and Cash Equivalents	\$ 671,400
Contribution Receivable	118,917
Prepaid Expenses	1,995
Accounts Receivable	500
Staff Advances	200

Total Current Assets 793,012

Property and Equipment (Net of Depreciation of (\$99,350)) 10,476

Total Assets **\$ 803,488**

Liabilities and Net Assets

Current Liabilities:

Grants Payable	\$ 175,426
Accounts Payable	21,917
Payroll Liabilities	21,249
Due to Affiliate	18,972

Total Current Liabilities 237,564

Net Assets:

Without Donor Restrictions	565,924
With Donor Restrictions	-

Total Net Assets 565,924

Total Liabilities and Net Assets **\$ 803,488**

Represent.Us Education Fund
Statement of Activities
Year Ended December 31, 2018

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues and Support:			
Contributions	\$ 2,117,769	-	\$ 2,117,769
Foundation Donations	750,000	\$ 20,000	770,000
Other Income	97,598	-	97,598
Membership Contributions	32,937	-	32,937
InKind Income	4,295	-	4,295
	<u>3,002,599</u>	<u>20,000</u>	<u>3,022,599</u>
Satisfaction of Donor Restrictions	<u>49,946</u>	<u>(49,946)</u>	<u>-</u>
Total Revenues and Support	3,052,545	(29,946)	3,022,599
Expenses:			
Program Expenses	2,123,414	-	2,123,414
Management and General Expenses	320,344	-	320,344
Development Expenses	457,124	-	457,124
	<u>2,900,882</u>	<u>-</u>	<u>2,900,882</u>
Total Expenses	2,900,882	-	2,900,882
Change in Net Assets	151,663	(29,946)	121,717
Net Assets at Beginning of Year	<u>414,261</u>	<u>29,946</u>	<u>444,207</u>
Net Assets at End of Year	<u>\$ 565,924</u>	<u>\$ -</u>	<u>\$ 565,924</u>

Represent.Us Education Fund
Statement of Cash Flows
Year Ended December 31, 2018

Increase (Decrease) in Cash and Cash Equivalents

Cash Flows From Operating Activities:

Change in Net Assets **\$ 121,717**

Adjustments to reconcile change in net assets to net cash used by operating activities:

Depreciation	4,122
(Increase) Decrease in Contribution Receivable	(118,917)
(Increase) Decrease in Prepaid Expenses	12,472
(Increase) Decrease in Accounts Receivable	(500)
(Increase) Decrease in Staff Advances	(195)
Increase (Decrease) in Accounts Payable	(13,808)
Increase (Decrease) in Grants Payable	16,219
Increase (Decrease) in Due to Affiliate	(14,171)
Increase (Decrease) in Payroll Liabilities	<u>20,406</u>

Net Cash Provided by Operating Activities 27,345

Cash Flows From Investing Activities

Fixed Asset Purchases	<u>(3,995)</u>
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Net Cash Flows Used by Investing Activities (3,995)

Net Increase in Cash and Cash Equivalents **23,350**

Cash and Cash Equivalents at Beginning of Year 648,050

Cash and Cash Equivalents at End of Year **\$ 671,400**

Supplemental Data

Interest Paid	<u><u>\$ 597</u></u>
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**Represent.Us Education Fund
Statement of Functional Expenses
Year Ended December 31, 2018**

	Grantmaking	Public Education Communication & Outreach	Unrig & Legal Defense	Program	Fundraising & Development	Management & General	Total
Expenses:							
Grants	\$ 1,025,023	233,608	105,500	\$ 1,364,131	-	-	\$ 1,364,131
Salaries	-	158,945	139,329	298,274	\$ 275,430	\$ 197,757	771,461
Consulting	-	65,041	\$ 89,343	154,384	36,218	10,889	201,491
Communication Costs	-	2,616	99,188	101,804	44,770	2,962	149,536
Employee Benefits	-	41,023	6,965	47,988	25,048	19,933	92,969
Travel	-	15,383	46,482	61,865	20,754	7,632	90,251
Occupancy	-	24,060	7,370	31,430	19,638	14,156	65,224
Payroll Taxes	-	13,820	11,984	25,804	21,224	15,805	62,833
Office Expenses	-	6,793	7,895	14,688	12,734	22,400	49,822
Other Professional Services	-	585	-	585	89	20,680	21,354
Advertising & Promotion	-	13,869	3,152	17,021	141	-	17,162
Insurance	-	900	342	1,242	899	3,397	5,538
Conferences & Meetings	-	3,929	197	4,126	132	-	4,258
Depreciation	-	-	-	-	-	4,122	4,122
Interest Expense	-	5	7	12	6	579	597
Information Technology	-	33	27	60	41	32	133
Total Expenses	<u>\$ 1,025,023</u>	<u>\$ 580,610</u>	<u>\$ 517,781</u>	<u>\$ 2,123,414</u>	<u>\$ 457,124</u>	<u>\$ 320,344</u>	<u>\$ 2,900,882</u>

1. Organization and Nature of Operations

RepresentUs Education Fund (“the Organization” or “RUEF”) was incorporated in 2008 as the Change Congress Forum, and subsequently conducted business as the Change V2 Foundation, Democracy Fund, Fund for the Republic, and United Republic Education Fund.

Represent.Us Education Fund is a national, nonpartisan nonprofit 501(c3) organization working to educate the public on democratic reform efforts to fix our broken political system. Through education, research and grantmaking, RUEF promotes equality, ethics, and transparency in elections and government. The Organization’s principal activities during 2018 consisted of the following:

Grantmaking

In 2018, RepresentUs Education Fund made grants to RepresentUs to support public education, research, and cross-partisan outreach activities. Grant funds were used to develop multi-channel public-education campaigns to inform voters about the challenges faced by our democracy and on viable policy solutions. Funds were also used to promote educational content about popular, smart political reforms; to produce compelling videos; and to provide of-the-moment communications on news items impacting our democracy. Grantmaking also underwrote the recruitment and training of volunteers.

Public Education, Outreach, and Communications

RepresentUs Education Fund elevates the national dialogue on democratic reform by taking complex ideas and presenting them in a way that resonates with diverse audiences. In February 2018, RepresentUs Education Fund held the inaugural Unrig Summit in New Orleans, Louisiana, a three-day gathering of democracy reform groups, academics, activists, and influencers from across the political spectrum. The Summit is driven by the goal to create a collaborative network for the movement by bringing together passionate activists and advocates and creating opportunities to learn, share ideas, get inspired, and forge lasting relationships.

Research

RepresentUs Education Fund conducts in-depth research related to campaign-finance and electoral-systems reform. Ongoing research aims to measure, track, and evaluate the impact of public policy on state and local communities.

2. Summary of Significant Accounting Policies

The organization prepares its financial statements in accordance with generally accepted accounting principles promulgated in the United States of America (U.S. GAAP) for not-for-profit entities. The significant accounting and reporting policies used by the organization are described subsequently to enhance the usefulness and understandability of the financial statements.

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the Organization considers all unrestricted highly liquid accounts to be cash with an initial maturity of three months or less to be cash equivalents.

Advertising and Promotion

The cost of advertising and program promotion is expensed as incurred.

2. Summary of Significant Accounting Policies (continued)

Shipping and Handling

Shipping and handling costs are expenses as incurred.

Property and Equipment

Property and equipment are valued at cost if purchased, and at fair market value if donated. Depreciation is computed on the straight-line method over the estimated useful life of the assets. Additions and renewals, unless minor in amount, are capitalized. Expenditures for maintenance, repairs and minor renewals are expensed in the period incurred. When assets are sold or retired, the related cost and accumulated depreciation are removed from the respective accounts and any resulting gain or loss is credited or charged to income.

Classification of Transactions

All revenues and net gains are reported as increases in net assets without donor restrictions in the statement of activities unless the donor specified the use of the related resources for a particular purpose which is not consumed in the current period because an event has not occurred or the expiration of time has not occurred.

Net Assets

The financial statements report net assets and changes in net assets in two classes that are based upon the existence or absence of restrictions on use that are placed by its donors, as follows:

Net Assets Without Donor Restrictions

Net assets without donor restrictions are resources available to support operations. The only limits on the use of these net assets are the broad limits resulting for the nature of the organization, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

Net Assets With Donor Restrictions

Net assets with donor restrictions are resources that are restricted by a donor for use for a particular purpose or in a particular future period. Some donor-imposed restrictions are temporary in nature, and the restriction will expire when the resources are used in accordance with the donor's instructions or when the stipulated time has passed. Other donor-imposed restrictions are perpetual in nature; the organization must continue to use the resources in accordance with the donor's instructions.

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions.

Currently, the Organization has only net assets without donor restrictions of \$565,924.

Investments

The Organization records investments in marketable securities at fair market value and that unrealized gains and losses are included in the change in net assets in the accompanying statement of activities. Net investment income is reflected as increases or decreases in the unrestricted class of net assets unless donors place temporary or permanent restrictions on such income.

2. Summary of Significant Accounting Policies (continued)

Contributions

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restriction and reported in the statement of activities as net assets released from restrictions.

Any contributions received in the form of equitable securities are transferred to the Organizations investment account. These equitable securities are sold as quickly as possible. There may be instances where equitable securities are held for a short period due to the timing of when the security is sold. These items are shown as temporary investments on the balance sheet.

As of the year ended December 31, 2018, the contributions receivable was \$118,917.

Use of Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Accordingly, actual results could differ from those estimates.

Concentrations

Cash and Cash Equivalents

The Organization maintains cash balances at a local financial institution. At various times during the year cash balances may exceed the insured amount of \$250,000 of the Federal Deposit Insurance Corporation.

Contributions

The Organization receives substantial amount of their support from various individuals and foundations. If such individuals and foundations decrease their amount of contributions this may impact the operation of the Organization.

Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities and the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

3. Fair Value of Financial Instruments

Cash and Cash Equivalents

The carrying amount approximates fair value because of the short maturity of those instruments.

Current Assets and Current Liabilities

The carrying amount approximates fair value because of the short maturity of those instruments.

4. Federal Income Tax Status

In 2008 the Internal Revenue Service determined that the Organization is exempt from Federal income tax under Section 501(a) of the Internal Revenue Code of 1986, as amended ("Code Section"), as an organization described in Section 501(c)(3) and publicly supported under Code Section 509(a)(1) and 170(b)(1)(A)(vi). However, the Organization is subject to tax on income from any unrelated business income as described in in Code Sections 512 and 513.

The Organization is subject to routine audits by taxing jurisdictions; however there are currently no audits for any tax periods in progress. The Organization believes it is no longer subject to income tax examinations for years prior to 2015.

The Organization's policy is to classify income tax related interest and penalties in interest expense and other expenses, respectively.

5. Compensated Absences

The Organization's balance for compensated absences consists of unused vacation time which in management's estimation is not material to the financial statements taken as a whole; therefore no provision for accrual has been made.

6. Property and Equipment

Property and equipment consisted of the following at December 31, 2018:

Furniture& Equipment	\$	69,374
LeaseholdImprovements		40,452
		<u>109,826</u>
Less: Accumulated Depreciator		<u>(99,350)</u>
Net Propertyand Equipment	\$	<u>10,476</u>

Depreciation charged to expense for the year ended December 31, 2018 was \$4,122.

7. Related Party Transactions

Represent.Us a 501(c)(4) organization is related to the Organization. Two board members of the Organization are board members of the Represent.Us seven member board. The Organization shares resources for operations with Represent.Us. The shared resources are charged to each entity on the basis of time and resource utilization studies. As of December 31, 2018 the Organization has a balance owed to Represent.Us of \$18,972. During the year the Organization made grants to Represent.Us in the amount of \$1,260,131 for programs, of which, \$175,426 was due as of December 31, 2018.

8. SEP IRA

The Organization maintains a SEP IRA for the benefit of its employees. Employees can make elective deferral into the SEP IRA from their pay. The Organization makes a matching contribution to all eligible employees, which is 3% of the employee wages. The elective contribution is subject to rules limiting eligibility to employees that make greater than \$5,000. For the year ended December 31, 2018, the Simple IRA expense was \$18,090.

9. Contribution Receivable

The Organization receives contributions throughout the year from various sources, such as foundations and individuals. As of the year ended December 31, 2018 the total amount of contributions receivable was \$118,917.

10. Accounts Receivable

The Organization collects membership contributions from various Organizations. The Organization has accounts receivable on these membership contributions as of December 31, 2018 of \$500.

11. Leases

The Organization leases its space in Florence, Massachusetts. The lease is classified as an operating lease. The lease commenced February 1, 2018, and runs until January 31, 2021. The Organization has the right to extend the lease for two additional terms, with each extension being two year periods. The additional extensions contain the same terms, covenants and conditions. The monthly rent is \$5,000 per month for approximately 7,000 square feet. On February 1, 2019 and on each subsequent anniversary of the lease date, the base rent will increase by the multiplier of the Consumer Price Index. The lease requires the Organization to pay additional rent for general real estate taxes and necessary operating expenses of the building. The Organization's share of these additional items is 3%.

The Organization also leases space for two satellite offices. The terms are as follows:

The Organization leases space in San Francisco, California. The lease is month to month, and is considered an operating lease. The current lease payments are \$3,000 per month.

The Organization leases space in Washington D.C. The lease is month to month, and is considered an operating lease. The current lease payment is \$450 per month. The lease was terminated in 2018.

The total future minimum lease payments for the terms of the leases are \$120,000 and are as follows; \$55,000 for year ending December 31, 2019 and \$60,000 for the year ended December 31, 2020 and \$5,000 for the month ending January 31, 2021.

12. Liquidity and Availability

The Organization has \$793,012 of financial assets available within one year of the balance sheet date to meet cash needs for general expenditure consisting of cash of \$671,400, contributions receivable of \$118,917, accounts receivable of \$500, prepaid expenses of \$1,995 and staff advances of \$200. \$49,946 of the financial assets is subject to donor restrictions to be used for a specific purpose. The pledges receivable were received subsequent to balance sheet date. The Organization has a goal to maintain financial assets, which consist of cash and investments, on hand to meet 90 days of normal operating expense, which are, on average, approximately \$680,000. The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. In addition, as part of its liquidity management, The Organization invests cash in excess of daily requirements in various short-term investments, including money market funds.

13. Subsequent Events

Subsequent events have been evaluated through November 1, 2019, which is the date the financial statements were available to be issued. Events occurring after that date have not been evaluated to determine whether a change in the financial statements would be required.