

**ELECTION ADMINISTRATION RESOURCE CENTER
dba Ranked Choice Voting Resource Center**

Financial Statements

Year Ended December 31, 2019

**ELECTION ADMINISTRATION RESOURCE CENTER
dba Ranked Choice Voting Resource Center**

Table of Contents

	<u>Page</u>
Independent Auditors' Report	1
Financial Statements:	
Statement of Financial Position.....	3
Statement of Activities.....	4
Statement of Functional Expenses.....	5
Statement of Cash Flows.....	6
Notes to Financial Statements	7

SHARPE PATEL PLLC

Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Election Administration Resource Center
dba Ranked Choice Voting Resource Center
Goldsboro, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of Election Administration Resource Center dba Ranked Choice Voting Resource Center, a nonprofit organization (the Organization), which comprises the statement of financial position as of December 31, 2019, and the related statements of activities, functional expenses and cash flows 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.

Auditors' 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 auditors' 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.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Election Administration Resource Center dba Ranked Choice Voting Resource Center as of December 31, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Sharpe Patel PLLC

Raleigh, North Carolina
October 21, 2020

ELECTION ADMINISTRATION RESOURCE CENTER
dba Ranked Choice Voting Resource Center
Statement of Financial Position
December 31, 2019

ASSETS

Current assets:

Cash and cash equivalents	\$ 576,748
---------------------------	------------

Total assets	<u>\$ 576,748</u>
--------------	-------------------

LIABILITIES AND NET ASSETS

Current liabilities:

Accounts payable	\$ 693
------------------	--------

Accrued payroll taxes and withholdings	<u>10,707</u>
--	---------------

Total current liabilities	<u>11,400</u>
---------------------------	---------------

Net assets

Without donor restrictions	<u>565,348</u>
----------------------------	----------------

Total net assets	<u>565,348</u>
------------------	----------------

Total liabilities and net assets	<u>\$ 576,748</u>
----------------------------------	-------------------

The accompanying notes to financial statements are an integral part of these statements.

ELECTION ADMINISTRATION RESOURCE CENTER
dba Ranked Choice Voting Resource Center
Statement of Activities
For the Year Ended December 31, 2019

PUBLIC SUPPORT AND REVENUE:

Public Support:	
Contributions	\$ 50,100
Grants	800,000
Total public support and revenue	<u>850,100</u>

EXPENSES:

Program services:	
RCV Tabulator	101,027
RCV Education and Support	75,099
Federal Voting Standards	19,562
Voting Rights Group Coordination	13,713
Election Security	1,265
Total program services	<u>210,666</u>

Supporting services:	
Management and general	74,086
Total supporting services	<u>74,086</u>

Total expenses	<u>284,752</u>
----------------	----------------

Change in net assets	565,348
Net assets at beginning of year	<u>-</u>
Net assets at end of year	<u>\$ 565,348</u>

The accompanying notes to financial statements are an integral part of these statements.

ELECTION ADMINISTRATION RESOURCE CENTER
dba Ranked Choice Voting Resource Center
Statement of Functional Expenses
For the Year Ended December 31, 2019

	Program Services					Supporting Services		Total Expenses	
	RCV Tabulator Services	RCV Education and Support	Federal Voting Standards	Voting Rights Group Coordination	Election Security	Total Program Services	Management and General		Total Supporting Services
Compensation, taxes, and benefits	\$ 15,417	\$ 50,620	\$ 10,119	\$ 6,325	\$ 1,265	\$ 83,746	\$ 44,629	\$ 44,629	\$ 128,375
Independent Contractors	27,162	15,924	9,443	7,388	-	59,917	14,588	14,588	74,505
Professional fees	58,180	-	-	-	-	58,180	-	-	58,180
Payroll taxes	-	4,243	-	-	-	4,243	3,813	3,813	8,056
IT services	-	-	-	-	-	-	4,911	4,911	4,911
Travel	-	1,441	-	-	-	1,441	300	300	1,741
Dues & Subscriptions	-	1,186	-	-	-	1,186	1,026	1,026	2,212
Insurance	-	-	-	-	-	-	1,731	1,731	1,731
Conference Fees and Registrations	-	1,450	-	-	-	1,450	-	-	1,450
Rent	-	-	-	-	-	-	1,305	1,305	1,305
Accounting	-	-	-	-	-	-	593	593	593
Supplies	-	146	-	-	-	146	443	443	589
Licenses	-	-	-	-	-	-	412	412	412
Postage and Shipping	263	-	-	-	-	263	56	56	319
Bank Fees	5	6	-	-	-	11	128	128	139
Continuing Education	-	-	-	-	-	-	100	100	100
Printing	-	83	-	-	-	83	-	-	83
Miscellaneous	-	-	-	-	-	-	51	51	51
Total expenses	\$ 101,027	\$ 75,099	\$ 19,562	\$ 13,713	\$ 1,265	\$ 210,666	\$ 74,086	\$ 74,086	\$ 284,752

The accompanying notes are an integral part of these financial statements

ELECTION ADMINISTRATION RESOURCE CENTER
dba Ranked Choice Voting Resource Center
Statement of Cash Flows
For the years ended December 31, 2019

CASH FLOWS FROM OPERATING ACTIVITIES:

Change in net assets	\$ 565,348
Changes in assets and liabilities that provided (used) cash:	
Accounts payable	593
Accrued payroll taxes and withholdings	10,707
	<hr/>
Net cash provided (used) by operating activities	576,648
	<hr/>
Net increase (decrease) in cash and cash equivalents	576,648
Cash and cash equivalents, beginning of year	100
	<hr/>
Cash and cash equivalents, end of year	\$ 576,748
	<hr/> <hr/>

The accompanying notes are an integral part of these financial statements

ELECTION ADMINISTRATION RESOURCE CENTER
dba Ranked Choice Voting Resource Center
Notes to Financial Statements
December 31, 2019

1. NATURE OF THE ORGANIZATION

Nature of the Organization

The Election Administration Resource Center dba the Ranked Choice Voting Resource Center (RCVRC) is a 501(c)(3) nonprofit organization that provides information, research, and tools to teach the public about ranked-choice voting (RCV). The Election Administration Resource Center is an election policy nonprofit based in North Carolina and Washington, DC. Our mission is to collect, distribute, and analyze information regarding the adoption, implementation, and impact of ranked-choice voting.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting. Revenues are recognized when earned and expenses recognized when incurred. This basis is accounting conforms to accounting principles generally accepted in the United States of America.

Basis of Presentation

The Organization has adopted Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958) and Health Care Entities (Topic 954) – Presentation of Financial Statements of Not-for-Profit Entities*. The ASU amends the current reporting model for nonprofit organizations and enhances their required disclosures. The major changes include: (a) requiring the presentation of only two classes of net assets now entitled “net assets without restrictions” and “net assets with restrictions”, (b) modifying the presentation of underwater endowment funds and related disclosures, (c) requiring the use of the placed in service approach to recognize the expirations of restrictions on gifts used to acquire or construct long-lived assets absent explicit donor stipulations otherwise, (d) requiring that all nonprofits present an analysis of expenses by function and nature in either the statement of activities, a separate statement, or in the notes and disclose a summary of the allocation methods used to allocate costs, (e) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources, (f) presenting investment return net of external and direct expenses, and (g) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of nonprofit financial statements.

Net assets and revenue are classified based on the existence or absence of donor- imposed restrictions. Accordingly, the net assets of the Organization and charges therein, are classified and reported as follows:

Net assets without restrictions – Consists of amounts that are available for use in carrying out the supporting activities of the Organization and not subject to donor-imposed stipulations.

Net assets with restrictions – Net assets that are contributions subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature that may or will be met, either by the actions of the Organization and /or the passage of time.

ELECTION ADMINISTRATION RESOURCE CENTER
dba Ranked Choice Voting Resource Center
Notes to Financial Statements
December 31, 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates and Assumptions

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the 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.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers cash in the bank and all cash held on hand to be cash and cash equivalents with an original maturity date of three months or less.

Contributions

Contributions and grants received are recorded as support with or without restrictions depending on the existence and/or nature of any donor/grantor restrictions. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Unconditional promises to give due in the next year are recorded at their net realizable value. Unconditional promises to give due more than one year in the future are reported at the present value of their net realizable value using a risk adjusted discount rate. When a restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, net assets with restrictions are reclassified to net assets without restrictions and reported in the statement of activities as net assets released from restrictions. Restrictions that are met in the same period as receipt are reported as support without restrictions.

Functional Allocation of Expenses

The costs of providing the various programs and supporting services have been summarized on a functional basis in the statements of activities. Costs that are not directly associated with providing specific services have been allocated based upon the relative time spent by employees of the Organization providing those services.

Program services – Comprise activities that contribute to the Organization’s mission and consist of the following five categories:

RCV Tabulator - The RCV Universal Tabulator program seeks to expand the testing, development, and adoption of the RCV Universal Tabulator. The expansion includes improving file conversion and ease of use with further development of aggregation and tabulation of results when states or jurisdictions use multiple voting systems. Milestones include meeting certification standards for 20 states requiring testing to federal standards and 26 states requiring testing by an Election Assistance Commission (EAC) approved testing lab. The RCVUT can also be used as an auditing tool to verify RCV results as a consultant/partner with jurisdiction or vendor. Staff also plans to engage with states and jurisdictions to show the benefit of the RCV Universal Tabulator.

ELECTION ADMINISTRATION RESOURCE CENTER
dba Ranked Choice Voting Resource Center
Notes to Financial Statements
December 31, 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

RCV Education and Support - This program works to improve the chances of RCV adoption by providing expert testimony, analysis, and legal review for at least jurisdictions interested in adopting RCV. Because the RCVRC is comprised of former election administrators with RCV experience, we have provided a unique perspective to policymakers. Advocates address the "why" question, while the RCVRC is better positioned to answer the "how" question. Conveying to policymakers how RCV can be implemented and administered is key to the adoption of RCV and has been pivotal in the passage of legislation.

Federal Voting Standards - This program seeks to integrate RCV into federal voting system standards to ensure the inclusion of the voting method in new voting systems. Members of the RCVRC are part of a working group developing the next version of the Voluntary Voting Systems Guidelines (VVSG), which serve as the federal standards for voting systems. By having a seat at the table, the RCVRC has been able to define the RCV rules and procedures. The projected year of adoption is 2020.

Voting Rights Group Coordination - This program attempts to open new avenues to RCV adoption by coordinating with voting rights organizations. Milestones include identifying ten or more jurisdictions with ethnographic makeup, laws, voting systems, and election administration where RCV is a viable solution to potential state or federal Voting Rights Act (VRA) complaints.

Election Security - The primary goal of this program is to produce a report on election security best practices for ranked-choice voting elections, covering ballot data transmission, audits of RCV, and other election security practices. Project milestone seeks to identify partners in the election integrity community for feedback on and distribution of the election security best practices report within the community.

Supporting services – Includes activities such as management and general services required to ensure an adequate working environment, provide administrative support and manage the Organization's financial and budgetary functions.

Income Taxes

The Organization is exempt from income taxes under Internal Revenue Code Section 501(c)(3) on its exempt function income and is classified by the IRS as a publicly supported organization. The Organization is not aware of any unrelated business income for the year ended December 31, 2019.

The Organization evaluates any uncertain tax positions. Accordingly, the Organization's policy is to record a liability for any tax position taken that is beneficial to the Organization, including any related interest and penalties, when it is more likely than not the position of management with respect to a transaction or class of transactions will be overturned by a taxing authority upon examination. Management believes there are no such positions as of December 31, 2019.

ELECTION ADMINISTRATION RESOURCE CENTER
dba Ranked Choice Voting Resource Center
Notes to Financial Statements
December 31, 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Issued Accounting Standards

The Commission has adopted ASU 2018-08, Not-for-Profit Entities (Topic 958): *Clarifying the Scope of the Accounting Guidance for Contributions Received and Contributions Made*, for the year ended December 31, 2019. The stated purpose of this new standard is to provide guidance in evaluating whether transactions should be accounted for as contributions or exchanges. In addition, the update introduces the concept of barriers in providing additional guidance on identifying conditions that would preclude the recognition of a contribution as revenue.

3. CONCENTRATION OF CREDIT RISK

The Organization occasionally maintains deposits in excess of federally insured limits. The Organization maintains its cash balances in reputable financial institutions in the United States of American and accounts at each institution are insured by the Federal Deposit Insurance Corporations up to \$250,000 at each financial institution. At December 31, 2019, the Organization's cash deposits exceed the FDIC insured limits by approximately \$331,764.

4. CONCENTRATIONS

For the year ended December 31, 2019, the Organization received funding from two grantors that comprise approximately 94% of total support and revenue .

5. LIQUIDITY AND AVAILABILITY OF FUNDS

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 become due.

At December 31, 2019, all net assets without restrictions are available to meet cash needs for general expenditures of the Organization with one year.

Cash	\$ 576,748
Less: current liabilities	<u>(11,400)</u>
Total financial assets available to meet general expenditures and liabilities within the next 12 months	<u><u>\$ 565,348</u></u>

ELECTION ADMINISTRATION RESOURCE CENTER
dba Ranked Choice Voting Resource Center
Notes to Financial Statements
December 31, 2019

6. SUBSEQUENT EVENTS

Management evaluates events occurring subsequent to the date of the financial statements in determining the accounting for and disclosure of transactions and events that affect the financial statements. Subsequent events have been evaluated through October 21, 2020, which is the date the financial statements were available to be issued.

As of the date of issuance of the Organization's audit, there is a pandemic situation regarding the COVID-19 virus. The Organization is monitoring the effect of this pandemic on its financial operations. At this time, management has evaluated the situation and has concluded no additional disclosures are warranted.