

# **STATE DEMOCRACY PROJECT**

AUDITED FINANCIAL STATEMENTS

For the years ended December 31, 2022 and 2021



# STATE DEMOCRACY PROJECT

## TABLE OF CONTENTS

	<b>Page</b>
<b>Independent Auditor's Report</b>	1-2
<b>Financial Statements</b>	
Statements of Financial Position	3
Statements of Activities	4
Statements of Functional Expenses	5-6
Statements of Cash Flows	7
Notes to Financial Statements	8-12

## **REPORT OF INDEPENDENT AUDITORS**

Board of Directors  
State Democracy Project  
Washington, D.C.

### **Opinion**

We have audited the accompanying financial statements of State Democracy Project, (a nonprofit organization), which comprise the statements of financial position as of December 31, 2022 and 2021 the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of State Democracy Project as of December 31, 2022 and 2021 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.

### **Basis for Opinion**

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of State Democracy Project and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about State Democracy Project's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

## **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 State Democracy Project's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about State Democracy Project's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

*UHY LLP*

Columbia, Maryland  
August 14, 2023

**STATE DEMOCRACY PROJECT**  
**STATEMENTS OF FINANCIAL POSITION**  
December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 1,358,059	\$ 785,717
Due from State Democracy Action	-	3,587
Grants and contributions receivable	271,870	-
Prepaid expenses	2,928	2,883
Retainer deposit	-	10,388
	<u>                    </u>	<u>                    </u>
Total assets	<u>\$ 1,632,857</u>	<u>\$ 802,575</u>
 <b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts payable	\$ 3,577	\$ 15,250
Grants payable	1,366,506	-
	<u>                    </u>	<u>                    </u>
Total liabilities	<u>1,370,083</u>	<u>15,250</u>
 <b>NET ASSETS</b>		
Without donor restrictions	21,437	787,325
With donor restrictions	241,337	-
	<u>                    </u>	<u>                    </u>
Total net assets	<u>262,774</u>	<u>787,325</u>
	<u>                    </u>	<u>                    </u>
Total liabilities and net assets	<u>\$ 1,632,857</u>	<u>\$ 802,575</u>

**STATE DEMOCRACY PROJECT**  
**STATEMENTS OF ACTIVITIES**  
For the years ended December 31, 2022 and 2021

	<b>2022</b>			<b>2021</b>
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>	<b>Without Donor Restrictions</b>
<b>SUPPORT AND REVENUE</b>				
Contributions and grants	\$ 104,940	\$ 1,827,085	\$ 1,932,025	\$ 485,644
Other income	-	-	-	400
Net assets released from restrictions	1,585,748	(1,585,748)	-	-
<b>Total support and revenue</b>	<b>1,690,688</b>	<b>241,337</b>	<b>1,932,025</b>	<b>486,044</b>
<b>EXPENSES</b>				
Program services	2,368,282	-	2,368,282	566,093
Management and general	85,822	-	85,822	87,365
Fundraising	2,472	-	2,472	19,577
<b>Total expenses</b>	<b>2,456,576</b>	<b>-</b>	<b>2,456,576</b>	<b>673,035</b>
<b>Change in Net Assets</b>	<b>(765,888)</b>	<b>241,337</b>	<b>(524,551)</b>	<b>(186,991)</b>
<b>Net Assets - Beginning</b>	<b>787,325</b>	<b>-</b>	<b>787,325</b>	<b>974,316</b>
<b>Net Assets - Ending</b>	<b>\$ 21,437</b>	<b>\$ 241,337</b>	<b>\$ 262,774</b>	<b>\$ 787,325</b>

**STATE DEMOCRACY PROJECT**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
For the year ended December 31, 2022

	<b>Program Services</b>	<b>Management and General</b>	<b>Fundraising</b>	<b>Total Expenses</b>
Personnel costs:				
Salaries	\$ 75,788	\$ 28,650	\$ 862	\$ 105,300
Fringe benefits	5,836	2,206	66	8,108
Payroll taxes	18,707	7,072	212	25,991
Total personnel costs	100,331	37,928	1,140	139,399
Accounting	-	29,946	-	29,946
Charity registrations	-	1,575	-	1,575
Consultants	23,080	7,005	1,321	31,406
Grants	2,244,255	-	-	2,244,255
Information technology	288	101	5	394
Insurance	-	4,575	-	4,575
Legal	-	4,203	-	4,203
Office expenses	-	373	-	373
Telephone	328	116	6	450
	<u>328</u>	<u>116</u>	<u>6</u>	<u>450</u>
<b>Total expenses</b>	<b><u>\$ 2,368,282</u></b>	<b><u>\$ 85,822</u></b>	<b><u>\$ 2,472</u></b>	<b><u>\$ 2,456,576</u></b>

**STATE DEMOCRACY PROJECT**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
For the year ended December 31, 2021

	<b>Program Services</b>	<b>Management and General</b>	<b>Fundraising</b>	<b>Total Expenses</b>
Personnel costs:				
Salaries	\$ 177,799	\$ 14,812	\$ 7,921	\$ 200,532
Fringe benefits	7,139	561	321	8,021
Payroll taxes	48,188	3,790	2,166	54,144
Total personnel costs	233,126	19,163	10,408	262,697
Accounting	-	63,456	-	63,456
Charity registrations	2,243	176	101	2,520
Consultants	39,317	1,265	8,570	49,152
Dues and subscriptions	467	37	21	525
Grants	279,911	-	-	279,911
Information technology	3,684	290	165	4,139
Insurance	3,848	303	173	4,324
Legal	-	2,299	-	2,299
Meetings	85	-	-	85
Office expenses	1,086	208	44	1,338
Telephone	1,469	116	65	1,650
Travel	857	52	30	939
Total expenses	<u>\$ 566,093</u>	<u>\$ 87,365</u>	<u>\$ 19,577</u>	<u>\$ 673,035</u>



**STATE DEMOCRACY PROJECT**  
**STATEMENTS OF CASH FLOWS**  
For the years ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
<b>Cash Flows from Operating Activities</b>		
Change in net assets	\$ (524,551)	\$ (186,991)
Adjustments to reconcile change in net deficit to net cash used by operating activities:		
Decrease (increase) in assets:		
Contributions and grants receivable	(271,870)	-
Due from State Democracy Action	3,587	1,024
Prepaid expenses	(45)	-
Retainer deposit	10,388	-
Increase (decrease) in liabilities:		
Accounts payable and accrued liabilities	(11,673)	11,722
Grants payable	<u>1,366,506</u>	<u>-</u>
Net cash provided (used) by operating activities	<u>572,342</u>	<u>(174,245)</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	572,342	(174,245)
<b>Cash and Cash Equivalents, Beginning</b>	<u>785,717</u>	<u>959,962</u>
<b>Cash and Cash Equivalents, Ending</b>	<u><u>\$ 1,358,059</u></u>	<u><u>\$ 785,717</u></u>

**STATE DEMOCRACY PROJECT**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the years ended December 31, 2022 and 2021**

**NOTE 1 - NATURE OF ORGANIZATION**

State Democracy Project is a non-profit corporation incorporated on November 18, 1996 in the District of Columbia. State Democracy Project changed its legal name from Every Voice Center in April 2021 and was also formerly known as the Public Campaign prior to March 2015. State Democracy Project seeks to educate the general public and policy makers regarding the need to iteratively improve American democracy by encouraging increased citizen participation in elections and policymaking, as well as the need for more responsive government institutions at the local, state, and federal levels.

During 2021, State Democracy Project was a coalition of national groups dedicated to advancing democracy policies at the state and local levels. In 2022, State Democracy Project joined with partners with a diverse array of grassroots organizations to pursue structural changes to expand participation, make government more responsive, and build a more democratic society. State Democracy Project's program services concentrate on providing these partners with fiscal sponsorship arrangements that allow them to focus on programmatic goals while reducing their bureaucratic obligations.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Accounting**

The financial statements of State Democracy Project have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America (GAAP), whereby revenue is recognized when earned and expenses are recognized when incurred.

**Use of Estimates**

The preparation of financial statements in accordance with GAAP in the United States requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

**Cash and Cash Equivalents**

State Democracy Project considers all cash accounts and highly liquid investments with an initial maturity of three months or less to be cash equivalents. Cash and cash equivalents are stated at cost, which approximates the fair value.

**Grants and contributions Receivable**

Grants and contributions receivable expected to be received within one year are recorded at their fair value. As of December 31, 2022, all grants and recontributions are due in less than one year.

Based on management's evaluation of and expectation to collect receivables within one year of the statements of financial position date, no allowance for doubtful accounts was deemed necessary.

**STATE DEMOCRACY PROJECT**  
**NOTES TO FINANCIAL STATEMENTS**  
For the years ended December 31, 2022 and 2021

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Net Assets**

Net assets, revenue, gains, and losses are classified based on the existence or absence of contributions with donor-imposed restrictions. Accordingly, net assets of State Democracy Project and changes therein are classified and reported as follows:

Net assets without donor restrictions - Net assets without donor restrictions are available for use at the discretion of the Board of Directors (the Board) and/or management for general operating purposes.

Net assets with donor restrictions - Net assets with donor restrictions consist of assets whose use is limited by donor-imposed time and/or purpose restrictions. State Democracy Project reports gifts of cash and other assets as revenue with donor restrictions if they are received with donor stipulations that limit the use of the donated asset. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, the net assets are reclassified as net assets without donor restriction and reported in the statements of activities as net assets released from restrictions.

See Note 3 for more information on the composition of net assets with donor restrictions.

**Revenue Recognition**

*Grants and Contributions*

State Democracy Project recognizes contributions received and made, including unconditional promises to give, as revenue in the period received or made. Contributions received are reported as either revenue without donor restrictions or revenue with donor restrictions. Contributions with donor restrictions that are used for the purpose specified by the donor in the same year as the contribution is received are recognized as revenues without donor restrictions.

Conditional contributions for which the conditions have been substantially met or explicitly waived by the donor are recorded as contribution revenue. Conditional contributions received before the conditions are met are reported as a refundable advance until all conditions are substantially met to remove the restriction.

*Other*

Interest income is recognized as revenue when earned.

**STATE DEMOCRACY PROJECT**  
**NOTES TO FINANCIAL STATEMENTS**  
For the years ended December 31, 2022 and 2021

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Grants Payable**

Grants awarded by State Democracy Project are recorded in the financial statements at the time the grants are approved by the Board of Directors. As of December 31, 2022, all grant obligations will be paid within one year.

**Expense Allocation**

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

The financial statements report expenses that are attributed to more than one program or supporting function. Therefore, expenses require an allocation on a reasonable basis that is consistently applied. All expenses are allocated on the basis of estimates of time and effort except for direct costs associated with specific programs, which are recorded as expenses for the program benefited.

**Income Taxes**

State Democracy Project is exempt from federal and state income taxes (except on unrelated business income) under Section 501(c)(3) of the Internal Revenue Code. No provision for income taxes has been recorded for the years ended December 31, 2022 or 2021, since State Democracy Project had no taxable income from unrelated business activities.

The income tax positions taken by State Democracy Project for any years open under the various statutes of limitations are that State Democracy Project continues to be exempt from income taxes and that they have properly reported unrelated business income that is subject to income taxes. State Democracy Project believes that there are no tax positions taken or expected to be taken that would significantly increase unrecognized tax liabilities within 12 months of the reporting date. None of State Democracy Project's federal or state income tax returns are currently under examination.

**NOTE 3 - NET ASSETS WITH DONOR RESTRICTIONS**

As of December 31, 2022, State Democracy Project maintains net asset with donor restrictions for the following projects:

Net assets with donor restrictions:	
Unemployed Workers United	\$ 225,337
Voter engagement to Reclaim Rhode Island	<u>16,000</u>
Total net assets with donor restrictions	<u>\$ 241,337</u>

**STATE DEMOCRACY PROJECT**  
**NOTES TO FINANCIAL STATEMENTS**  
For the years ended December 31, 2022 and 2021

**NOTE 4 - RELATED PARTY TRANSACTIONS**

During 2021, State Democracy Project and State Democracy Action did not have common Board of Directors. However, the organizations shared staff personnel, office space, supplies, office furniture and equipment, and other similar services and items. During 2021, costs were allocated between the two organizations based on actual expenditures and a percentage of salaries. As of December 31, 2021, State Democracy Project had a receivable of \$3,587 from State Democracy Action. During 2022, the organizations discontinued all cost sharing arrangements.

**NOTE 5 - CONCENTRATION AND CREDIT RISKS**

Financial instruments that potentially subject State Democracy Project to credit risk include cash deposits with banks in excess of the insurance limitations of the Federal Deposit Insurance Corporation. At times, deposits may exceed federally insured deposit limits. Management does not consider this a significant concentration of credit risk.

For the year ended December 31, 2022, approximately 41% of State Democracy Project's revenue was received from two grantors. For the year ended December 31, 2021, approximately 42% of State Democracy Project's revenue was received from two other grantors. A significant reduction in support could have a negative effect on the operations of State Democracy Project.

**NOTE 6 - LIQUIDITY AND AVAILABILITY OF RESOURCES**

State Democracy Project's financial assets available for operating expenditures within one year of the statement of financial position date are as follows:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 1,358,059	\$ 785,717
Contributions receivable	<u>271,870</u>	<u>-</u>
	1,629,929	785,717
Less grants committed	(1,366,506)	-
Less donor restricted assets	<u>(241,337)</u>	<u>-</u>
	<u>\$ 22,086</u>	<u>\$ 785,717</u>

State Democracy Project maintains a policy of structuring its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

**STATE DEMOCRACY PROJECT**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the years ended December 31, 2022 and 2021**

**NOTE 7 - FISCAL SPONSORSHIP AGREEMENTS**

State Democracy Project has entered into approximately fifteen separate fiscal sponsorship agreements with other organizations to support projects which will further the charitable and educational purposes of State Democracy Project. Grant funds awarded to these organizations are subject to the restrictions and obligations imposed by the agreements and may only be used for the reasonable and necessary expenses incurred in conducting the projects identified. State Democracy Project may charge up to two percent of all gifts received in support of the projects to defray administrative and management costs related to monitoring these agreements. State Democracy Project retains the unilateral variance power pursuant to the signed agreements.

**NOTE 8 - SUBSEQUENT EVENTS**

Management has reviewed subsequent events and transactions that occurred after the statements of financial position date through August 14, 2023, the date the financial statements were available to be issued. Management has determined that there are no subsequent events that require additional disclosure.