FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

MULLINS P.C.
A CPA firm dedicated to serving nonprofits

Independent Auditors' Report

Board of Directors
Electronic Registration Information Center
Washington, DC

Report on the Financial Statements

We have audited the accompanying financial statements of Electronic Registration Information Center, which comprise the statement of financial position as of June 30, 2020 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 the 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 auditors consider internal control relevant to ERIC'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 ERIC'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.

Report on the Financial Statements (Continued)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Electronic Registration Information Center, as of June 30, 2020, 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.

Emphasis of Matter

As discussed in Note 2 to the financial statements, ERIC adopted Accounting Standards Update 2014-09, Revenue from Contracts with Customers, as amended, and Accounting Standards Update 2018-08, Not-for-Profit Entities – Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made, in 2020. Our opinion is not modified with respect to these matters.

Mullins PC

Bethesda, Maryland
February 11, 2020

Certified Public Accountants

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Electronic Registration Information Center

Statement of Financial Position
June 30, 2020

Assets	
Cash	**$ 942,487**
Prepaid Expenses and Deposits	**104,513**
Property and Equipment - Net	**46,889**
Total Assets	**$ 1,093,889**
Liabilities and Net Assets	
Liabilities	
Accounts Payable	**$ 43,261**
Deferred Revenues	**108,635**
Total Liabilities	**151,896**
Net Assets	
Without Donor Restrictions	**941,993**
Total Liabilities and Net Assets	**$ 1,093,889**

See Accompanying Notes to Financial Statements

Electronic Registration Information Center

Statement of Activities
For The Year Ended June 30, 2020

Support and Revenues	
Membership Dues	$ 961,789
Grants	258,891
Interest Income	234
Total Support and Revenues	1,220,914
Expenses	
Program Services	956,010
Supporting Services	
General and Administrative	99,203
Total Supporting Service Expense	99,203
Total Expenses	1,055,213
Change in Net Assets	165,701
Net Assets, Beginning of Year	776,292
Net Assets, End of Year	$ 941,993

See Accompanying Notes to Financial Statements

Electronic Registration Information Center

Statement of Functional Expenses
For The Year Ended June 30, 2020

	Program	General and Administrative	**Total**
Personnel	$ 391,391	$ 22,077	**$ 413,468**
Consulting and Professional Fees	425,375	50,782	**476,157**
Office Expense	7,530	7,323	**14,853**
Software License	87,607	-	**87,607**
Travel	21,087	5,630	**26,717**
Insurance	8,540	913	**9,453**
Conferences and Meetings	1,550	11,157	**12,707**
Depreciation and Amortization	12,930	1,321	**14,251**
Total	$ 956,010	$ 99,203	**$ 1,055,213**

See Accompanying Notes to Financial Statements

Electronic Registration Information Center

Statement of Cash Flows
For The Year Ended June 30, 2020

Cash Flows from Operating Activities		
Increase (Decrease) in Net Assets	$	**165,701**
Adjustments to Reconcile Increase (Decrease) in Net Assets to Net Cash Provided by (Used in) Operating Activities		
Depreciation and Amortization		**14,251**
(Increase) Decrease in Assets		
Grants Receivable		**54,346**
Prepaid Expenses and Deposits		**39,084**
Increase (Decrease) in Liabilities		
Accounts Payable		**39,484**
Deferred Revenues		**21,382**
Net Cash Provided by (Used in) Operating Activities		**334,248**
Cash Flows from Investing Activities		
Purchase of Property and Equipment		**(26,718)**
Net Cash Provided by (Used in) Investing Activities		**(26,718)**
Increase (Decrease) in Cash		**307,530**
Cash, Beginning of Year		**634,957**
Cash, End of Year	**$**	**942,487**

See Accompanying Notes to Financial Statements

1. ORGANIZATION

Electronic Registration Information Center (ERIC), is a non-profit organization with the sole mission of assisting states to improve the accuracy of America's voter rolls and increase access to voter registration for all eligible citizens. ERIC is governed and managed by states who choose to join, and was formed in 2012 with assistance from The Pew Charitable Trusts.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying financial statements are presented in accordance with the accrual basis of accounting, whereby revenue is recognized when earned and expenses are recognized when incurred.

The financial statements of ERIC have been prepared in accordance with U.S. generally accepted accounting principles (US GAAP), which requires ERIC to report information regarding its financial position and activities according to the following net asset classifications:

<u>Net Assets Without Donor Restrictions:</u> Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of ERIC. These net assets may be used at the discretion of management and the Board of Directors.

<u>Net Assets With Donor Restrictions:</u> Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of ERIC or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

Adopted Accounting Pronouncements

During fiscal 2019, ERIC adopted Accounting Standards Update (ASU) 2018-08, *Not-for-Profit Entities (Topic 958)*: *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made.* The guidance provided in this ASU will assist in evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions and whether a contribution is conditional. As required by ASU 2018-08, ERIC applied the requirements on a modified prospective basis to agreements that either are not completed as of January 1, 2019 or entered into after January 1, 2019.

The adoption of ASU 2018-08 did not have a material impact on ERIC's accounting for contributions or federal grants.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606).* ASU 2014-09 requires an entity to recognize revenues to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which an entity is expected to be entitled in exchange for those goods or services. On January 1, 2019, ERIC adopted ASU 2014-09, using the modified retrospective approach. ERIC applied the five-step revenue model stipulated by ASC 606 to all of its significant revenue streams in order to determine when revenue is earned and recognized.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Adopted Accounting Pronouncements (Continued)

The five-step model requires ERIC to 1) identify contracts with customers, 2) identify performance obligations related to those contracts, 3) determine the transaction price, 4) allocate that transaction price to each performance obligation, and 5) recognize revenue when or as ERIC satisfies a performance obligation.

The adoption of this ASU did not materially impact the timing or amount of revenue recognized by ERIC in the financial statements.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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.

Property and Equipment

Property and equipment are capitalized at cost if unit costs exceed $500. Otherwise the items are expensed when paid, including repairs and maintenance. Depreciation and amortization is computed on the straight-line method over the estimated useful life of the asset.

Revenue Recognition

Membership dues are invoiced based on fixed rate schedules at the beginning of the membership year, which corresponds with ERIC's fiscal year. Revenue from membership dues is recognized during the membership year as membership benefits are provided, resulting in no related deferred revenue balance for the current annual membership period at year end.

Grants and contributions, including unconditional promises to give, are recognized as revenues in the period received or pledged. Conditional promises to give are not recognized until the conditions on which they depend are substantially met. Contributions of assets, other than cash, are recorded at their estimated fair value at the date of gift. Contributed services and materials are recorded at their estimated fair value if they would otherwise be purchased if not provided by donation and provided by professionals in their field. Management considers all outstanding contributions receivable amounts to be fully collectible. Accordingly, an allowance for doubtful accounts has not been established.

There were no unrecognized conditional contributions as of June 30, 2020.

Functional Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, occupancy and office expenses, depreciation, information technology costs, and insurance have been allocated among the programs and supporting services based on employee time and effort.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes

ERIC is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

The accounting standard on accounting for uncertainty in income taxes addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under that guidance, ERIC may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities based on the technical merits of the position. Examples of tax positions include the tax-exempt status of ERIC and various positions related to the potential sources of unrelated business taxable income (UBIT).

The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. There were no unrecognized tax benefits identified or recorded as liabilities for at June 30, 2020.

ERIC's policy would be to recognize interest and penalties, if any, on tax positions related to its unrecognized tax benefits in income tax expense in the financial statements. No interest and penalties were assessed or recorded during 2020. ERIC's IRS Forms 990 that have been filed are subject to examination by the Internal Revenue Service, generally for three years after they were filed.

Recently Issued Accounting Pronouncement

In February 2016, the FASB issued ASU 2016-02, *Leases*. The update requires a lessee to recognize a right-of-use asset and lease liability, initially measured at the present value of the lease payments, in its statements of financial position. The guidance also expands the required quantitative and qualitative lease disclosures. The guidance is effective beginning in 2023.

Subsequent Events

Management has evaluated subsequent events through February 11, 2020 the date which the financial statements were available to be issued. The accompanying financial statements recognize the effects of subsequent events that provided evidence about conditions that existed at the statement of financial position date, including the estimates inherent in the process of preparing financial statements. The accompanying financial statements do not recognize the effect of subsequent events with conditions that did not exist at the statement of financial position date, but disclosures of such events, if any, are included in the accompanying notes.

3. CONCENTRATION OF CREDIT RISK

ERIC maintains its cash balances in banks insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000 per bank. As of June 30, 2020, ERIC's balances exceeded the FDIC insured limit by approximately $515,000.

4. Property and Equipment

Property and equipment as of June 30, 2020 was as follows:

Computer Equipment	$ 81,683
Website	17,718
Less Accumulated Depreciation and Amortization	(52,512)
Property and Equipment - Net	$ 46,889

Depreciation and amortization expense for the year ended June 30, 2020 was $14,251.

5. Net Assets

There were no net assets with donor restrictions as of June 30, 2020.

Net assets without donor restrictions as of June 30, 2020 were undesignated.

6. Retirement Plan

ERIC provides a 401(k)-retirement plan for the benefit of employees. The plan allows full-time employees to defer a portion of their compensation, pursuant to the Internal Revenue Code. ERIC matches employee contributions up to 6%. ERIC contributed $19,172 to the 401(k) plan during 2020.

7. Availability and Liquidity

The following represents ERIC's financial assets at June 30, 2020:

Financial Assets at Year End:	
Cash and Cash Equivalents	$ 942,487
Total Financial Assets	942,487
Less Amounts Not Available To Be Used Within One Year:	
Net Assets With Donor Restrictions	-
Less: Net Assets With Purpose Restrictions To Be Met in Less Than a Year	-
Quasi Endowment Established by the Board	-
	-
Financial Assets Available to Meet General Expenditures Over the Next Twelve Months	$ 942,487

As part of ERIC's liquidity management plan, cash in excess of daily requirements is transferred to income-generating accounts, when practical.