

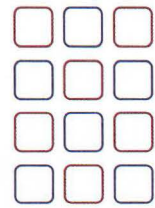
**VERIFIED VOTING FOUNDATION, INC.**

**AUDITED FINANCIAL STATEMENTS**

**June 30, 2017**

**VERIFIED VOTING FOUNDATION, INC.**  
**AUDITED FINANCIAL STATEMENTS**  
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**INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors  
Verified Voting Foundation, Inc.  
Philadelphia, PA

**Report on the Financial Statements**

We have audited the accompanying financial statements of Verified Voting Foundation, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2017 and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

**Managements 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 misstatements.

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 account 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 Verified Voting Foundation, Inc. as of June 30, 2017 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.

## **Report on Summarized Comparative Information**

We have previously audited Verified Voting Foundation's June 30, 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 30, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016 is consistent, in all material respects, with the audited financial statements from which it is has been derived.

## **Report on Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The statements of functional expenses on pages 12 - 14 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

**Huxhold & Associates**

September 12, 2018  
Escondido, California

**VERIFIED VOTING FOUNDATION, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**As of June 30, 2017**

(With Summarized Financial Information for the Year Ended June 30, 2016)

	<u>2017</u>	<u>2016</u>
Assets		
Current Assets		
Cash	\$ 91,706	\$ 219,404
Grants receivables (Note 4)	100,000	200,000
Related party receivable (Note 7)	46,413	36,041
Prepaid expenses	<u>3,200</u>	<u>35,542</u>
Total Current Assets	241,319	490,987
Fixed assets, net (Note 5)	2,614	2,002
Deposits	<u>2,071</u>	<u>2,071</u>
Total Assets	<u><u>\$ 246,004</u></u>	<u><u>\$ 495,060</u></u>
Liabilities and Net Assets		
Liabilities		
Current Liabilities		
Accounts payable and accrued expenses	63,161	918
Accrued vacation	<u>6,115</u>	<u>-</u>
Total Current Liabilities	<u>69,276</u>	<u>918</u>
Total Liabilities	69,276	918
Commitments and Contingencies (Note 6)	-	-
Net Assets		
Unrestricted	(27,605)	128,305
Temporarily restricted (Note 8)	<u>204,333</u>	<u>365,837</u>
Total Net Assets	<u>176,728</u>	<u>494,142</u>
Total Liabilities and Net Assets	<u><u>\$ 246,004</u></u>	<u><u>\$ 495,060</u></u>

See accompanying notes and independent auditor's report.

**VERIFIED VOTING FOUNDATION, INC.**

**STATEMENT OF ACTIVITIES**

**For the Year Ended June 30, 2017**

(With Summarized Financial Information for the Year Ended June 30, 2016)

	2017			2016
	Unrestricted	Temporarily Restricted	Total	Total
Revenue and Support				
Core Operations				
Foundation and corporate grants	\$ 57,790	\$ 200,000	\$ 257,790	\$ 497,261
Donations and contributions	179,980	-	179,980	206,579
In-kind contributions	30,918	-	30,918	9,744
Other income	451	-	451	1,019
Total Core Operations	269,139	200,000	469,139	714,603
Fiscal Sponsor Projects (Note 10)				
Donations and contributions	-	-	-	16,716
Foundation and corporate grants	-	-	-	1,000
Total Fiscal Sponsor Projects	-	-	-	17,716
Total revenue and support	269,139	200,000	469,139	732,319
Net Assets Released from Restrictions				
Core operations	321,504	(321,504)	-	-
Total net assets released (Note 9)	321,504	(321,504)	-	-
Expenses				
Core Operations				
Program	695,716	-	695,716	461,933
Management and general	90,109	-	90,109	41,277
Depreciation	728	-	728	182
Total core operations	786,553	-	786,553	503,392
Fiscal Sponsor Projects (Note 10)				
Program	-	-	-	87,921
Total fiscal sponsor projects	-	-	-	87,921
Total expenses	786,553	-	786,553	591,313
Increase (decrease) in net assets	(195,910)	(121,504)	(317,414)	141,006
Net Assets - Beginning of Year	128,305	365,837	494,142	353,136
Prior period adjustment (Note 11)	40,000	(40,000)	-	-
Net Assets - End of Year	\$ (27,605)	\$ 204,333	\$ 176,728	\$ 494,142

See accompanying notes and independent auditor's report.

**VERIFIED VOTING FOUNDATION, INC.****STATEMENT OF CASH FLOWS****For the Year Ended June 30, 2017****(With Summarized Financial Information for the Year Ended June 30, 2016)**

	<u>2017</u>	<u>2016</u>
Cash Flows From Operating Activities		
Increase (decrease) in net assets	\$ (317,414)	\$ 141,006
Adjustments to reconcile increase (decrease) in net assets to net cash used in operating activities		
Depreciation	728	182
(Increase) decrease in current assets:		
Grants receivable	100,000	(85,000)
Related party receivables	(10,372)	(28,166)
Prepaid expenses	32,342	(33,330)
Deposits	-	(1,071)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	62,243	(28,133)
Accrued wages and payroll taxes	6,115	-
Net cash (used in) operating activities	<u>(126,358)</u>	<u>(34,512)</u>
Cash Flows From Investing Activities		
Decrease (increase) in restricted cash	-	75,440
Purchase of fixed assets	<u>(1,340)</u>	<u>(2,184)</u>
Net cash provided by (used in) investing activities	<u>(1,340)</u>	<u>73,256</u>
Net increase (decrease) in cash	(127,698)	38,744
Cash - Beginning of the Year	<u>219,404</u>	<u>180,660</u>
Cash - End of the Year	<u>\$ 91,706</u>	<u>\$ 219,404</u>
Supplemental Disclosure		
Cash paid for income taxes	\$ -	\$ -
Cash paid for interest	\$ -	\$ -

See accompanying notes and independent auditor's report.

**VERIFIED VOTING FOUNDATION, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2017**

**NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES**

Organization

The Verified Voting Foundation, Inc. (VVF) is an educational nonprofit 501(c)(3) organization incorporated in February 2004 in the State of Delaware. VVF is a non-governmental organization working toward the accuracy, integrity and verifiability of elections.

VVF acted as fiscal sponsor for a project. This enabled individuals and groups to take advantage of charitable giving for projects and community needs without requiring tax exempt status under Section 501(c)(3) of the Internal Revenue Code. As fiscal sponsor, VVF provided fiduciary oversight, financial management, and other administrative services.

Financial Statement Presentation

The financial statements are presented on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Net assets are classified based on the existence or absence of donor-imposed restrictions. Accordingly, VVF classifies its net assets and changes in net asset as follows:

Unrestricted Net Assets – Net assets that are not subject to donor-imposed restrictions or the donor-imposed restrictions have expired.

Temporarily Restricted Net Assets – Net assets that are subject to donor-imposed restrictions that may or will be met either by actions of VVF and/or the passage of time.

Permanently Restricted Net Assets – Net assets that are to be held in perpetuity as directed by donors. The income from these net assets may or may not be restricted, as designated by the donors.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on assets and liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by donor or by law. As of June 30, 2017 and 2016, VVF had no permanently restricted net assets.

When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

VVF receives multi-year grants for general operations. The funds are available immediately upon receipt however VVF has elected to record them as temporarily restricted (time restriction). VVF releases net assets from the time restriction in equal monthly amounts over the term of the grant or the actual monthly expenditures, whichever is less, even if significantly more expenditures could be classified as net assets released from restrictions.



**VERIFIED VOTING FOUNDATION, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2017**

**NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Cash and Cash Equivalents

Certificates of deposit and other securities with original maturities of three months or less are classified as cash equivalents. Certificates of deposit and other securities with original maturities over three months are classified as investments.

Property and Equipment

The purchased fixed assets of VVF are recorded at cost; contributed fixed assets are recorded at fair value when received. Depreciation is provided using the straight-line method over the estimated useful lives of the related assets. Fixed assets valued at less than \$500 are expensed as incurred.

Income Taxes

VVF is exempt from income tax under Section 501(c)(3) of the U.S. Internal Revenue Code and Section 23701(d) of the State Revenue and Taxation Code and contributions to it are tax deductible within the limitations prescribed by the Code. Income from activities unrelated to the exempt purpose of VVF is taxable. Management does not consider any of its activities to be subject to unrelated business income tax therefore no provision has been made for income taxes in these financial statements.

Tax returns are subject to audit by California for four years and the Internal Revenue Service for three years after the due date of the return or the date filed, if later.

Management has considered its tax positions and believes that all of the positions taken are more likely than not to be sustained upon examination. Accordingly, there are no uncertain tax positions that qualify for either recognition or disclosure in the financial statements.

Revenue Recognition and Receivables

Contributions and grants received by VVF are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

VVF receives grants from various private organizations and businesses to further its program goals. Grants are recognized as revenue when notified of an award and a related receivable is recorded. Conditional grants received in advance of the conditions being substantially met are recorded as refundable advances. VVF uses the allowance method to determine uncollectible grants receivable. The allowance for doubtful accounts is based on prior years' experience and management's analysis. All receivables are considered to be fully collectible, accordingly, no allowance for doubtful accounts has been provided.

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 reported amounts and disclosures. Accordingly, actual results could differ from those estimates under different assumptions or conditions.

**VERIFIED VOTING FOUNDATION, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2017**

**NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Contributed Services and Materials

VVF receives numerous hours per year of contributed services for Board and various committee meetings. These services do not meet the requirements for recognition as a contribution; as such the value of these contributed services is not recorded in the financial statements.

VVF has received pro bono legal services for eVoting-Transparency research and analysis and general litigation matters. During the years ended June 30, 2017 and 2016, VVF received 61 hours of contributed services valued at \$30,918 and 16 hours of contributed services valued at \$9,744, respectively. This amount has been recorded as in-kind revenue and legal expense on the statement of activities.

Contributions of donated noncash assets are recorded at their fair market value in the period received.

Functional Expenses

The costs of providing the various programs and supporting activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among those activities based on the estimated percentage attributable to those activities.

Advertising Costs

Advertising costs are charged to expense as incurred.

**NOTE 2 – SIGNIFICANT CONCENTRATIONS**

VVF maintains its cash in a commercial bank in the United States which is insured by the Federal Deposit Insurance Corporation (FDIC). Balances in this account may reach or exceed federally insured limits. As of June 30, 2017 and 2016, there were no amounts on deposit in excess of Federally insured limits. Management believes VVF is not exposed to any significant credit risk with respect to its cash.

During the year ended June 30, 2017, VVF had three major donors that accounted for 73% of its total revenue. During the year ended June 30, 2016, VVF had two major donors that accounted for 56% of its total revenue. Management believes that VVF is not exposed to significant risk regarding these concentrations.

**NOTE 3 – FAIR VALUE MEASUREMENTS**

VVF considers the carrying value of its cash, receivables, and payables to approximate fair value because of the relative short maturities of these instruments.

**VERIFIED VOTING FOUNDATION, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2017**

**NOTE 4 –GRANTS RECEIVABLE**

Grants receivable are expected to be collected within one year. As of June 30, 2017 and 2016, grants receivable consisted of the following:

	2017	2016
Grant – James Irvine Foundation	\$ 100,000	\$ 50,000
Grant – MacArthur Foundation	-	150,000
Total Grants Receivable	<u>\$ 100,000</u>	<u>\$ 200,000</u>

**NOTE 5 -- FIXED ASSETS**

As of June 30, 2017 and 2016, fixed assets consisted of the following:

	2017	2016
Computers and office furnishings	\$ 22,870	\$ 21,530
Less accumulated depreciation	(20,256)	(19,528)
Net fixed assets	<u>\$ 2,614</u>	<u>\$ 2,002</u>

Depreciation expense for the years ending June 30, 2017 and 2016 was \$728 and \$182, respectively.

**NOTE 6 – COMMITMENTS AND CONTINGENCIES**

VVF's policy to record multi-year grants as temporarily restricted and release net assets from the time restriction in equal monthly amounts over the term of the grant or the actual monthly expenditures, whichever is less, can result in VVF not having sufficient net assets to comply with all donor restrictions at all times. VVF has always complied with all donor restrictions and any deficiency as a result of this policy is considered to be temporary in nature and no accrual for this contingent liability is considered necessary. As of June 30, 2017 and 2016, the amount considered temporarily restricted under this policy was \$100,000 and \$250,000, respectively.

In October 2015, VVF signed a two-year lease for office space in Carlsbad, California. Effective December 1, 2015, base rent was \$1,294 per month with a 5% annual increase. The lease agreement contains an option to extend for an additional two years at the rental market value as of December 1, 2017 (see Note 12). For the years ended June 30, 2017 and 2016, rental expense was \$15,230 and \$13,713, respectively.

**VERIFIED VOTING FOUNDATION, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2017**

**NOTE 7 – RELATED PARTY RECEIVABLE**

VerifiedVoiting.org (VVO) is a non-partisan nonprofit 501(c)(4) organization that advocates for legislation and regulation that promotes accuracy, transparency, and verifiable elections. VVO is under common control; the Board and management team are comprised of the same individuals. A portion of VVF's officers' salaries, outside consulting, accounting, rent, and other support costs are allocated to VVO. For the years ending June 30, 2017 and 2016, expenses totaling \$27,669 and \$29,507 were allocated to VVO, respectively. As of June 30, 2017 and 2016, the amount due from VVO for allocated expenses was \$46,413 and \$35,913, respectively.

**NOTE 8 – TEMPORARILY RESTRICTED NET ASSETS**

As of June 30, 2017 and 2016, temporarily restricted net assets as adjusted for the prior period adjustment (see Note 11) consisted of funds expendable for the following purposes:

	2017	2016
Time restrictions - general operations	\$ 100,000	\$ 250,000
Time restrictions - California elections	95,833	45,837
Voter privacy	8,500	30,000
Total	<u>\$ 204,333</u>	<u>\$ 325,837</u>

**NOTE 9 - NET ASSETS RELEASED FROM RESTRICTIONS**

Net assets were released from donor restrictions during the year ended June 30, 2017 by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors.

	2017	2016
Time restrictions - general operations	\$ 250,000	\$ 270,834
California elections	50,004	45,830
Voter privacy	21,500	-
Fiscal sponsor projects	-	88,171
Total	<u>\$ 321,504</u>	<u>\$ 404,835</u>

**NOTE 10 – FISCAL SPONSOR PROJECT**

VVF acted as the umbrella organization for the project and accepted and administered funds on its behalf. VVF was legally responsible for the funds received on behalf of the project, ensured that funds were used for charitable purposes, and that donor-reporting requirements were met in a timely fashion. An administrative fee was allowed to be charged by VVF. Unexpended funds were classified as temporarily restricted net assets. This project was terminated in January 2016. Project funds that remained unexpended were transferred to the new fiscal sponsor.

**VERIFIED VOTING FOUNDATION, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2017**

**NOTE 11 – PRIOR PERIOD ADJUSTMENT**

During the year ended June 30, 2015, VVF received a grant of \$40,000. This grant was for general operations but was classified as temporarily restricted. This resulted in restricted net assets being overstated and unrestricted net assets being understated by \$40,000 as of June 30, 2015. This prior period adjustment has no impact on total net assets or results of operations as of and for the years ended June 30, 2017 and 2016.

**NOTE 12 – SUBSEQUENT EVENTS**

Subsequent events are events or transactions that occur after the statement of financial position date, but before the financial statements are available to be issued. Events that provide additional evidence about conditions that existed at the date of the statement of financial position, including the estimates inherent in the process of preparing the financial statements are reflected in the financial statements. Events that provide evidence about conditions that did not exist at the date of the statement of financial position but arose after the statement of financial position are not reflected in the financial statements but are disclosed in this footnote. Management has evaluated subsequent events through September 12, 2018, which is the date the financial statements were available to be issued.

In the wake of claims of Russian hacking of the 2016 elections, public concern about the security of our elections became a top issue. Escalation of this issue from the margins to the center prompted the re-evaluation of VVF's staffing needs. VVF's President of ten years resigned her role as President in June of 2017 and now serves as VVF's senior advisor. VVF's board chair served as interim President between June and October of 2017 when a new President was hired and began serving.

In January 2018 the primary office was re-located from San Francisco, CA to Philadelphia, PA. The California based Executive Director was replaced with a Philadelphia based Administrative Officer. The California based Executive Director stayed on to assist with the transition until mid-February 2018.

In September, 2017, a pledge of \$500,000 of unrestricted funds was received by VVF. The pledge was paid in full in October 2017.

## **SUPPLEMENTARY INFORMATION**

**VERIFIED VOTING FOUNDATION, INC.**  
**SCHEDULE OF FUNCTIONAL EXPENSES**  
**For the Year Ended June 30, 2017**

	Program	Management and General	Total
Professional Fees	\$ 299,899	\$ -	\$ 299,899
Salaries & Wages	241,304	26,812	268,116
Travel & Meetings	36,046	4,005	40,051
In-kind Legal	27,826	3,092	30,918
Accounting Fees	3,009	27,077	30,086
Office Expenses	25,882	2,876	28,758
Contributions and grants	23,500	-	23,500
Payroll Taxes	18,927	2,103	21,030
Rent	-	15,230	15,230
Employee Benefits	10,760	1,196	11,956
Conferences & Conventions	7,982	-	7,982
Advertising	-	5,029	5,029
Insurance	-	2,585	2,585
Other	581	832	1,413
Total	<u>\$ 695,716</u>	<u>\$ 90,837</u>	<u>\$ 786,553</u>

See independent auditor's report.

**VERIFIED VOTING FOUNDATION, INC.**  
**SCHEDULE OF FUNCTIONAL EXPENSES**  
**For the Year Ended June 30, 2016**

	Program	Management and General	Total
Professional Fees	\$ 224,592	\$ -	\$ 224,592
Salaries & Wages	132,023	14,669	146,692
Travel & Meetings	32,462	3,607	36,069
Office Expenses	22,881	2,542	25,423
Accounting Fees	17,292	1,921	19,213
Rent	-	13,713	13,713
Payroll Taxes	9,590	1,066	10,656
In-kind Legal	8,770	974	9,744
Employee Benefits	7,492	832	8,324
Other Expenses	4,164	463	4,627
Conferences & Conventions	2,667	-	2,667
Insurance	-	1,381	1,381
Other	0	291	291
Total	<u>\$ 461,933</u>	<u>\$ 41,459</u>	<u>\$ 503,392</u>

See independent auditor's report.



**FISCAL SPONSOR PROJECTS**  
**SCHEDULE OF FUNCTIONAL EXPENSES**  
**For the Year Ended June 30, 2016**

	<u>Program</u>	<u>Total</u>
Professional Fees	\$ 44,572	\$ 44,572
Transfer to new fiscal sponsor	38,244	38,244
Travel & Meetings	3,248	3,248
Other Expenses	<u>1,857</u>	<u>1,857</u>
Total	<u>\$ 87,921</u>	<u>\$ 87,921</u>

See independent auditor's report.