

**Audited Consolidated Financial Statements
and Supplementary Information**

**LEAGUE OF WOMEN VOTERS
OF THE UNITED STATES AND AFFILIATES**

June 30, 2017

League of Women Voters of the United States and Affiliates

Contents

<i>Independent Auditor's Report on the Consolidated Financial Statements</i>	1
<i>Consolidated Financial Statements</i>	
Consolidated statements of financial position	2
Consolidated statements of activities	3
Consolidated statements of cash flows	4
Notes to the consolidated financial statements	5 - 18
<i>Supplementary Information</i>	
Independent auditor's report on the supplementary information	19
Consolidating statement of financial position	20
Consolidating statement of activities	21

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Independent Auditor's Report on the Consolidated Financial Statements

To the Board of Directors
League of Women Voters
of the United States and Affiliates

We have audited the accompanying consolidated financial statements of League of Women Voters of the United States and Affiliates (collectively, League of Women Voters), which comprise the consolidated statements of financial position as of June 30, 2017 and 2016, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to League of Women Voters' preparation and fair presentation of the consolidated 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 League of Women Voters' 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of League of Women Voters of the United States and Affiliates as of June 30, 2017 and 2016, 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.

Washington, DC
October 19, 2017

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League of Women Voters of the United States and Affiliates

Consolidated Statements of Financial Position

June 30,	2017	2016
Assets		
Cash and cash equivalents	\$ 3,434,442	\$ 3,911,191
Investments	6,187,779	3,315,846
Investments held to fund deferred compensation	100,434	85,620
Receivables	542,253	50,433
Prepaid expenses and other assets	105,988	128,108
Property and equipment	193,333	197,149
Total assets	\$ 10,564,229	\$ 7,688,347
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 529,602	\$ 951,535
Amounts held on behalf of state and local Leagues	535,507	566,902
Deferred revenue	28,794	-
Obligations under annuity agreements	2,117	5,382
Deferred compensation	100,434	85,620
Deferred rent and lease incentive	298,601	254,209
Total liabilities	1,495,055	1,863,648
Commitments and contingencies	-	-
Net Assets		
Unrestricted	7,608,792	4,940,587
Temporarily restricted	791,307	215,037
Permanently restricted	669,075	669,075
Total net assets	9,069,174	5,824,699
Total liabilities and net assets	\$ 10,564,229	\$ 7,688,347

See notes to the consolidated financial statements.

League of Women Voters of the United States and Affiliates

Consolidated Statements of Activities

Year Ended June 30,	2017	2016
Unrestricted activities		
Revenue and support		
Grants and contributions	\$ 6,982,748	\$ 4,557,387
Per-member payments	1,263,331	1,276,899
In-kind contributions	904,676	653,481
Publication sales and other income	219,974	101,342
Mailing list rental income	200,627	202,990
Contributions in lieu of per-member payments	133,431	144,342
Council and convention	63,372	304,066
Interest and dividends, net	72,745	27,444
	9,840,904	7,267,951
Net assets released from restrictions	520,180	450,290
Total revenue and support	10,361,084	7,718,241
Expense		
Program services		
Election services	1,472,281	1,013,320
Communications	1,122,218	1,107,088
Advocacy	800,705	1,171,001
Member services	292,217	749,087
Council and convention	114,411	297,144
Total program services	3,801,832	4,337,640
Supporting services		
Fund raising	2,843,720	2,644,248
General and administrative	1,331,850	1,209,050
Total supporting services	4,175,570	3,853,298
Total expense	7,977,402	8,190,938
Change in unrestricted net assets from operations	2,383,682	(472,697)
Net assets transferred	41,219	-
Net gain (loss) on investments	243,304	(116,669)
Change in unrestricted net assets	2,668,205	(589,366)
Temporarily restricted activities		
Grants and contributions	1,033,781	280,340
Investment income	62,669	34,338
Net assets released from restrictions	(520,180)	(450,290)
Change in temporarily restricted net assets	576,270	(135,612)
Change in net assets	3,244,475	(724,978)
Net assets, beginning of year	5,824,699	6,549,677
Net assets, end of the year	\$ 9,069,174	\$ 5,824,699

See notes to the consolidated financial statements.

League of Women Voters of the United States and Affiliates

Consolidated Statements of Cash Flows

Year Ended June 30,	2017	2016
Cash flows from operating activities		
Change in net assets	\$ 3,244,475	\$ (724,978)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Net (gain) loss on investments	(292,205)	119,389
Bad debt	25,000	16,055
Depreciation and amortization	67,745	107,215
Change in value of gift annuities	(998)	184
Changes in assets and liabilities		
Receivables	(516,820)	60,772
Prepaid expenses and other assets	22,120	83,284
Accounts payable and accrued expenses	(421,933)	411,621
Amounts held on behalf of state and local Leagues	(31,395)	38,465
Deferred revenue	28,794	-
Deferred rent and lease incentive	44,392	(2,772)
Total adjustments	(1,075,300)	834,213
Net cash provided by operating activities	2,169,175	109,235
Cash flows from investing activities		
Purchases of investments	(5,996,999)	(2,210,100)
Proceeds from sales of investments	3,417,271	4,128,179
Purchases of property and equipment	(63,929)	(2,172)
Net cash (used in) provided by investing activities	(2,643,657)	1,915,907
Cash flows from financing activities		
Payments under annuity agreements	(2,267)	(3,399)
Net cash used in financing activities	(2,267)	(3,399)
Net (decrease) increase in cash and cash equivalents	(476,749)	2,021,743
Cash and cash equivalents, beginning of year	3,911,191	1,889,448
Cash and cash equivalents, end of year	\$ 3,434,442	\$ 3,911,191
Supplemental Disclosures of Cash Flow Information		
Assets and liabilities transferred from ETP	\$ 73,111	\$ -
Donated investments liquidated to cash	\$ 2,081	\$ 9,837

See notes to the consolidated financial statements.

League of Women Voters of the United States and Affiliates

Notes to the Consolidated Financial Statements

A. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization: League of Women Voters of the United States (LWVUS) was formed in 1923 in accordance with the laws of the District of Columbia a nonpartisan membership organization that encourages the informed and active participation of citizens in government, works to increase understanding of major public policy issues, and influences public policy through education and advocacy. LWVUS does not support or oppose any political party or candidate. Membership is open to women and men who subscribe to the purpose of League of Women Voters. More than 50,000 members are organized into over 700 state and local Leagues in cities, towns, and communities located in all fifty states, the District of Columbia, and the Virgin Islands.

League of Women Voters Education Fund (Education Fund), an affiliate of LWVUS, was established in 1957 by LWVUS as a charitable trust dedicated to strengthening citizen knowledge of, and involvement in, government. The Education Fund works to increase public understanding of major public policy issues and to promote awareness of the options available in government decision making. The Education Fund provides a variety of educational services, research, publications, and conferences on public policy issues and on techniques to enable citizens to take part more effectively in the democratic process. The Education Fund also provides nonpartisan election services.

e.thePeople, LLC (LLC) was formed in April 2017 in accordance with the laws of the State of Delaware. The LLC is a single-member limited liability company owned entirely by the Education Fund.

Principles of consolidation: The consolidated financial statements include the accounts of LWVUS, the Education Fund, and the LLC (collectively, League of Women Voters) as required under accounting principles generally accepted in the United States of America. Significant intra-entity accounts and transactions have been eliminated in consolidation.

Income taxes: LWVUS is exempt from the payment of income taxes on its exempt activities under Section 501(c)(4) of the Internal Revenue Code.

The Education Fund is exempt from the payment of income taxes on its exempt activities under Section 501(c)(3) of the Internal Revenue Code and was originally classified as other than a private foundation within the meaning of Section 509(a)(1) of the Internal Revenue Code. The Education Fund has also filed an election regarding lobbying expense limits under Section 501(h) of the Internal Revenue Code.

As a single-member limited liability company, the LLC is treated as a disregarded entity for income tax purposes and, as such, its financial activity is reported in conjunction with the federal income tax filings of the Education Fund.

Basis of accounting: League of Women Voters prepares its consolidated financial statements on the accrual basis of accounting. Consequently, revenue, other than contributions, is recognized when earned and expense when the obligation is incurred.

Use of estimates: Preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

Cash and cash equivalents: For consolidated financial statement purposes, League of Women Voters considers demand deposits, excess cash invested in overnight repurchase agreements, and money market funds held within the investment portfolio to be cash and cash equivalents.

League of Women Voters of the United States and Affiliates

Notes to the Consolidated Financial Statements

A. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Amounts held on behalf of state and local Leagues: League of Women Voters receives and disburses cash on behalf of affiliated state and local Leagues. Therefore, amounts held on behalf of state and local Leagues represent the aggregate liability which is equal to the cash held on behalf of state and local Leagues.

Deferred revenue: Deferred revenue consists entirely of the LLC's licensing fees for the interactive voter guide service which are received in advance of the period in which they are earned. Licensing fees have been included in publication sales and other income in the accompanying consolidated statements of activities. In addition, the Education Fund is a customer of the LLC and, as such, pays a licensing fee which has been eliminated in consolidation.

Obligations under annuity agreements: League of Women Voters has charitable gift annuity agreements with donors. Contribution revenue related to the charitable gift annuities was recognized at the date the agreements were established, net of the liability for the present value of the estimated future payments to be made to the respective donors or beneficiaries. A commercial bank serves as the trustee which invests the underlying assets and makes payments to donors or beneficiaries in accordance with the respective agreements. Investments related to charitable gift annuities totaled \$326,983 and \$301,285 at June 30, 2017 and 2016, respectively. League of Women Voters' calculated the net present value of the estimated future payments to beneficiaries using estimated life expectancies ranging from one to three years and a discount rate of 2.35% at June 30, 2017 and 2016. The net present value of the obligation under annuity agreements totaled \$2,117 and \$5,382 at June 30, 2017 and 2016, respectively.

Collection: League of Women Voters maintains a permanent collection of rare books, pamphlets, and memorabilia relating to women's rights and the suffrage movement, which date from the mid-nineteenth to the late twentieth centuries. Each of the items is cataloged, preserved, and cared for by League of Women Voters, and activities verifying their existence and assessing their condition are performed continuously. The items in the collection were donated to League of Women Voters and, as allowed by generally accepted accounting principles, have not been recorded in the accompanying consolidated financial statements.

Contributions: Bequests, grants, and funds received from members are accounted for as contributions. Contributions are recognized as revenue when assets are either received or unconditionally promised. League of Women Voters has unconditional promises to give which are recorded as contributions receivable. Contributions are recorded as unrestricted or temporarily restricted support depending upon the existence and/or nature of donor restrictions. Support that is restricted by the donor is reported as an increase in temporarily restricted net assets. Within temporarily restricted net assets, amounts are reclassified to unrestricted net assets when restrictions are satisfied or expire (that is, when a purpose restriction is accomplished or a stipulated time restriction ends).

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

League of Women Voters of the United States and Affiliates

Notes to the Consolidated Financial Statements

A. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Program services: Program services descriptions are as follows:

Election services: The election services function includes activities that are devoted to informing the public about voter registration and the importance of voting and providing candidate information.

Communications: The communications function includes activities to maintain League of Women Voters' website, prepare and disseminate materials and publications which promote political awareness and responsibility, and which address selected issues.

Advocacy: The advocacy function includes lobbying and other activities to promote political responsibility through informed and active participation of citizens in government and to promote action on selected issues.

Member services: The member services function includes activities to assist state and local leagues with various programs.

Council and convention: The council and convention function includes activities related to meetings and other events, such as the biennial council meeting.

Supporting services: Supporting services descriptions are as follows:

Fund raising: The fund raising function includes activities that encourage and secure financial support for League of Women Voters.

General and administrative: The general and administrative function includes activities necessary for the administrative processes of League of Women Voters such as managing its operating, governance, and financial responsibilities.

Measure of operations: League of Women Voters does not include net assets transferred and net gain (loss) on investments in the change in unrestricted net assets from operations.

League of Women Voters of the United States and Affiliates

Notes to the Consolidated Financial Statements

A. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Reclassifications: Certain accounts relating to the prior year have been reclassified to conform to the current year presentation with no effect on previously reported net income. Amounts reported in the June 30, 2017 consolidated financial statements were reclassified so as to include prior year in-kind contributions as follows:

	Previously Reported	Reclassification	Currently Reported
Assets			
Investments	\$ 3,401,466	\$ (85,620)	\$ 3,315,846
Investments held to fund deferred compensation	-	85,620	85,620
Subtotal effect on assets	<u>\$ 3,401,466</u>	<u>\$ -</u>	<u>\$ 3,401,466</u>
Revenue and support			
In-kind contributions	\$ -	\$ 653,481	\$ 653,481
Expense			
Election services	\$ 874,285	\$ 139,035	\$ 1,013,320
Advocacy	656,555	514,446	1,171,001
Subtotal effect on expense	<u>\$ 1,530,840</u>	<u>\$ 653,481</u>	<u>\$ 2,184,321</u>

Subsequent events: Subsequent events have been evaluated through October 19, 2017, which is the date the consolidated financial statements were available to be issued.

B. CONCENTRATIONS

Credit risk: League of Women Voters maintains demand deposits with commercial banks and money market funds with financial institutions. At times, certain balances held within these accounts may not be fully guaranteed or insured by the U.S. Government. The uninsured portions of cash and money market accounts are backed solely by the assets of the underlying institution. Therefore, the failure of an underlying institution could result in financial loss to League of Women Voters.

Market risk: League of Women Voters also invests funds in a professionally managed portfolio of marketable securities, including common stocks and mutual funds. Such investments are exposed to market and credit risks. Therefore, League of Women Voters' investments may be subject to significant fluctuations in fair value. As a result, the investment balances reported in the accompanying consolidated financial statements may not be reflective of the portfolio's value during subsequent periods.

League of Women Voters of the United States and Affiliates

Notes to the Consolidated Financial Statements

C. INVESTMENTS

In accordance with generally accepted accounting principles, League of Women Voters uses the following prioritized input levels to measure fair value of investments. The input levels used for valuing investments are not necessarily an indication of risk.

Level 1 – Observable inputs that reflect quoted prices for identical assets or liabilities in active markets, such as stock quotes.

Level 2 – Includes inputs other than Level 1 inputs that are directly or indirectly observable in the marketplace, such as yield curves or other market data.

Level 3 – Unobservable inputs which reflect the reporting entity's assessment of the assumptions that market participants would use in pricing the asset or liability including assumptions about risk, such as bid/ask spreads and liquidity discounts.

The fair value of common stocks and mutual funds was determined using Level 1 inputs. Therefore, the fair value of investments was based on quoted prices in active markets. Management believes the fair values of investments to be a reasonable approximation of their exit price.

Investments consisted of the following at June 30,:

	2017	2016
Investments		
Common stocks	\$ 2,999,826	\$ 2,255,552
Mutual funds - equity	793,529	170,665
Mutual funds - fixed income	2,394,424	889,629
	\$ 6,187,779	\$ 3,315,846
Investments held to fund deferred compensation		
Mutual funds - equity	96,955	82,131
Mutual funds - fixed income	3,479	3,489
	\$ 100,434	\$ 85,620

Net investment return consisted of the following for the years ended June 30,:

	2017	2016
Interest and dividends	\$ 133,290	\$ 110,975
Investment management fees	(46,777)	(46,473)
	86,513	64,502
Net gain (loss) on investments	292,205	(119,389)
	\$ 378,718	\$ (54,887)

League of Women Voters of the United States and Affiliates

Notes to the Consolidated Financial Statements

C. INVESTMENTS - CONTINUED

Additional details of net investment return consisted of the following for the years ended June 30,:

	2017	2016
Unrestricted activities		
Interest and dividends	\$ 112,086	\$ 107,726
Investment management fees	(39,341)	(45,152)
Allocation of investment income	-	(35,130)
	72,745	27,444
Net gain (loss) on investments	243,304	(116,669)
Subtotal unrestricted activities	316,049	(89,225)
Temporarily restricted activities		
Interest and dividends	21,204	3,249
Investment management fees	(7,436)	(1,321)
Net gain (loss) on investments	48,901	(2,720)
Allocation of investment income	-	35,130
	62,669	34,338
Subtotal temporarily restricted activities	62,669	34,338
	\$ 378,718	\$ (54,887)

D. RECEIVABLES

Receivables are presented at the gross, or face, amount due to League of Women Voters, less an allowance for doubtful accounts. Management periodically reviews the status of all accounts receivable balances for collectability. Each receivable balance is assessed based on management's knowledge of and relationship with the customer or donor and the age of the receivable balance. As a result of these reviews, receivable balances for which collection is deemed doubtful are charged to bad debt expense and an allowance is recorded.

Receivables include contributions receivable such as unconditional promises to give grants and contributions which are expected to be collected over multiple years. Contributions receivable payments due in less than one year are recorded at net realizable value. Contributions receivable due in more than one year are reflected at the net present value of estimated future cash flows using a discount rate of 1.53% and 0% at June 30, 2017 and 2016, respectively.

League of Women Voters also has an interest in pooled income funds which will be collected over the terms of the underlying agreements which vary and are based on the life expectancies of the related donors or beneficiaries. A commercial bank serves as the trustee and invests the underlying assets related to the pooled income funds, which totaled \$67,137 and \$64,527 at June 30, 2017 and 2016, respectively. Contribution revenue was recognized at the start of the pooled income fund agreements and equaled the net present value of the future receipts. The receivable for the interest in pooled income funds has been discounted to net present value using a current rate of 2.35% at June 30, 2017 and 2016.

League of Women Voters of the United States and Affiliates

Notes to the Consolidated Financial Statements

D. RECEIVABLES - CONTINUED

Receivables consisted of the following at June 30,:

	2017	2016
Grants and contributions receivable	\$ 433,270	\$ -
Interest in pooled income fund, at fair value	67,137	64,527
Publications and other income	48,611	3,111
Per-member payments	36,893	72,332
	585,911	139,970
Less allowance for doubtful accounts receivable	(25,000)	(75,443)
Less discount to net present value	(18,658)	(14,094)
	\$ 542,253	\$ 50,433

Grants and contributions receivable are expected to be collected as follows at June 30, 2017:

Amounts due in less than one year	\$ 183,270	
Amounts due in one to five years	250,000	
	433,270	
Less discount to net present value	(5,623)	
	\$ 427,647	

E. PROPERTY AND EQUIPMENT

Acquisitions of property and equipment are recorded at cost and depreciated or amortized using the straight-line method over the following useful lives: furniture and equipment – three to five years; and leasehold improvements over the lesser of the remaining life of the office lease or the estimated useful life of the improvements. All acquisitions greater than \$2,500 were capitalized. Donated fixed assets are recorded at fair value as of the date of the donation.

Property and equipment consisted of the following at June 30,:

	2017	2016
Furniture and equipment	\$ 856,715	\$ 798,558
Leasehold improvements	356,457	350,685
	1,213,172	1,149,243
Less accumulated depreciation and amortization	(1,019,839)	(952,094)
	\$ 193,333	\$ 197,149

League of Women Voters of the United States and Affiliates

Notes to the Consolidated Financial Statements

F. RETIREMENT PLANS

401(k) plan: League of Women Voters sponsors a 401(k) plan for all eligible employees as stipulated by the plan document. League of Women Voters provides discretionary contributions to participants in the 401(k) plan which totaled \$95,798 and \$140,863 for the years ended June 30, 2017 and 2016, respectively.

Tax deferred annuity plan: League of Women Voters also sponsors a tax deferred annuity plan under Section 403(b) of the Internal Revenue Code. The plan is an employee elective deferral retirement plan, which covers all eligible participants as stipulated by the plan document. Therefore, League of Women Voters makes no contributions under the plan.

Deferred compensation plans: League of Women Voters sponsors deferred compensation plans under Internal Revenue Code Section 457(b) for two participants. The deferred compensation plans have been funded by separate annuity agreements for each of the participants. The investments related to the annuity agreements have been recorded at fair value and included in investments in the accompanying consolidated statements of financial position. Deferred compensation assets and the related liability totaled \$100,434 and \$85,620 at June 30, 2017 and 2016, respectively.

G. NET ASSETS

Unrestricted: Unrestricted net assets include those net assets whose use is not restricted by donors. LWVUS has no board-designated net assets.

Temporarily restricted: Temporarily restricted net assets include those net assets whose use by League of Women Voters has been donor restricted by specified time or program restrictions.

Temporarily restricted net assets consisted of the following at June 30,:

	2017	2016
Time restriction	\$ 369,377	\$ -
Organizational transformation	186,104	-
Leadership fund	111,523	100,283
Endowment funds	55,201	26,457
Pooled income fund	54,102	50,433
100th Anniversary	15,000	-
Vote 411	-	37,282
Clean Air Act	-	582
	\$ 791,307	\$ 215,037

When restrictions expire due to the passage of time or due to the satisfaction of donor's purpose, amounts are released from restriction and reclassified to unrestricted net assets.

League of Women Voters of the United States and Affiliates

Notes to the Consolidated Financial Statements

G. NET ASSETS - CONTINUED

Net assets released from restrictions consisted of the following for the years ended June 30,:

	2017	2016
Vote 411	\$ 173,521	\$ 135,468
Time restriction	125,000	-
Organizational transformation	123,896	-
DC Voting Rights	50,000	-
Leadership fund	23,098	67,169
Power the Vote	22,000	117,310
Public Advocacy for Voter Protection	2,083	115,343
Clean Air Act	582	-
High School Voter Registration	-	15,000
	\$ 520,180	\$ 450,290

Permanently restricted net assets: Permanently restricted net assets are restricted by donors to be maintained in perpetuity (see Note H for additional information).

H. ENDOWMENTS

Endowments only consist of traditional donor-restricted endowment funds, which have been appropriately classified within net assets in accordance with each gift instrument. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

League of Women Voters has interpreted the *Uniform Prudent Management of Institutional Funds Act of 2007 (UPMIFA)*, enacted by the District of Columbia, as requiring the preservation of the real (inflation-adjusted) purchasing power of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, League of Women Voters classifies as permanently restricted net assets (1) the original value of gifts donated to the permanent endowment, (2) the original value of subsequent gifts to the permanent endowment, (3) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument, and (4) endowment investment return in excess of the endowment payout. Donor-restricted endowment funds that are not classified as permanently restricted net assets are classified as temporarily restricted net assets until amounts are appropriated for expenditure by League of Women Voters in a manner consistent with the standard of prudence prescribed by UPMIFA.

Return Objectives and Risk Parameters

The Board of Trustees has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Under these policies, as approved by the Board of Trustees, endowment assets are invested in a manner that is intended to produce returns higher than specified market indices while assuming a moderate level of risk.

League of Women Voters of the United States and Affiliates

Notes to the Consolidated Financial Statements

H. ENDOWMENTS - CONTINUED

League of Women Voters expects its endowment funds to exceed the average annual return of these indices on a risk-adjusted basis over a three-year rolling time period and a full market cycle.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, League of Women Voters relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). League of Women Voters targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

League of Women Voters has a policy of appropriating for distribution each year no more than 10% and no less than 5% of its endowment fund's average fair value from the trailing three years to be distributed annually. Annual earnings of the endowment fund in excess of 10% will be reinvested to allow for the fund's growth. In establishing this policy, League of Women Voters considered the long-term expected return on its endowment. This is consistent with League of Women Voters' objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return. During the year ended June 30, 2016, an appropriation of \$35,130 from the board-designated endowment fund was transferred to the Leadership fund, a non-endowment temporarily restricted fund. During the year ended June 30, 2017, an appropriation of \$33,925 from the donor-restricted endowment fund was transferred to the Leadership fund.

Fund Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the principal amount that the donor originally contributed in order to establish the endowment. In accordance with generally accepted accounting principles, deficiencies of this nature are reported in unrestricted net assets and typically result from unfavorable market fluctuations or continued appropriation.

Due to changes in market value of the underlying investments, one endowment fund had a deficiency of \$3,159 as of June 30, 2016 and no endowments had a fund deficiency as of June 30, 2017.

Endowments consisted of the following at June 30, 2017:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Ruth S. Shur Leadership Institute fund	\$ -	\$ 23,089	\$ 500,000	\$ 523,089
Nikki Harris Online Training fund		32,112	100,000	132,112
General Endowment fund			69,075	69,075
	\$ -	\$ 55,201	\$ 669,075	\$ 724,276

League of Women Voters of the United States and Affiliates

Notes to the Consolidated Financial Statements

H. ENDOWMENTS - CONTINUED

Endowments consisted of the following at June 30, 2016:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Ruth S. Shur Leadership Institute fund	\$ (3,159)	\$ -	\$ 500,000	\$ 496,841
Nikki Harris Online Training fund		26,457	100,000	126,457
General Endowment fund			69,075	69,075
	\$ (3,159)	\$ 26,457	\$ 669,075	\$ 692,373

Changes in endowment net assets consisted of the following for the years ended June 30, 2017 and 2016:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowments, July 1, 2016	\$ (3,159)	\$ 26,457	\$ 669,075	\$ 692,373
Interest and dividends		21,204		21,204
Net gain on investments	3,159	48,901		52,060
Investment management fees		(7,436)		(7,436)
	3,159	62,669	-	65,828
Appropriations		(33,925)		(33,925)
Endowments, June 30, 2017	\$ -	\$ 55,201	\$ 669,075	\$ 724,276

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowments, July 1, 2015	\$ 3,363,824	\$ 27,249	\$ 669,075	\$ 4,060,148
Interest and dividends	12,944	3,249		16,193
Net loss on investments	(10,839)	(2,720)		(13,559)
Investment management fees	(5,264)	(1,321)		(6,585)
	(3,159)	(792)	-	(3,951)
Transfers*	(3,363,824)			(3,363,824)
Endowments, June 30, 2016	\$ (3,159)	\$ 26,457	\$ 669,075	\$ 692,373

* Transfers relate to the resolution approved by the Board of Directors to remove all previous board-designations of unrestricted net assets, including the board-designated endowment fund.

League of Women Voters of the United States and Affiliates

Notes to the Consolidated Financial Statements

I. IN-KIND CONTRIBUTIONS

In-kind contributions include donated advertising, donated legal services, and donated event support.

Donated advertising and donated event support are recognized at the estimated fair value provided by the donor. Donated legal services are recognized as contributions and expense in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). In order to meet the criteria for recognition in the consolidated financial statements, contributions of in-kind services must (a) create or enhance non-financial assets or (b) require specialized skills, be performed by people with those skills, and would otherwise be purchased.

Within expense, donated advertising was recorded within the election services program expense, legal services was recorded within advocacy program expense and event support was recorded within member services program expense and general and administrative expense on the consolidated statements of activities.

In-kind contributions consisted of the following for the years ended June 30,:

	2017	2016
Advertising	\$ 446,269	\$ 139,035
Legal services	440,907	514,446
Event support	17,500	-
	<u>\$ 904,676</u>	<u>\$ 653,481</u>

J. ALLOCATION OF JOINT COSTS

League of Women Voters conducts direct mail campaigns that have both a program services component and a fund raising component. As a result, League of Women Voters incurred joint costs totaling \$1,262,438 and \$997,817 during the years ended June 30, 2017 and 2016, respectively.

Joint costs have been allocated between program services and fund raising as follows for the years ended June 30,:

	2017	2016
Communications	\$ 691,852	\$ 487,803
Fund raising	570,586	510,014
	<u>\$ 1,262,438</u>	<u>\$ 997,817</u>

League of Women Voters of the United States and Affiliates

Notes to the Consolidated Financial Statements

K. COMMITMENTS AND CONTINGENCIES

Office lease: League of Women Voters has an operating lease for office space in Washington, DC which expires September 2024. The lease contains an escalation clause that adjusts annual base rentals. The lease also contains an escalation for real estate taxes and operating expenses, which are not included in base rentals. In addition, League of Women Voters was provided a build-out allowance as an incentive to lease the office space.

Generally accepted accounting principles (GAAP) requires that the cost of the build-out be capitalized and depreciated as leasehold improvements. GAAP also requires that the lease incentive along with the scheduled rent increases resulting from the escalation of base rentals be recorded as a liability and amortized ratably over the life of the lease. Accordingly, League of Women Voters has recorded leasehold improvements within property and equipment and a liability for deferred rent and lease incentive in the accompanying consolidated statements of financial position. The asset and liability are being amortized over the remaining term of the lease.

Rent expense totaled \$500,712 and \$508,611 for the years ended June 30, 2017 and 2016, respectively. The future minimum lease payments under the office lease are as follows:

Year Ending June 30,	Amount
2018	\$ 486,200
2019	508,600
2020	524,800
2021	537,900
2022	551,300
Thereafter	<u>1,290,200</u>
	<u>\$ 3,899,000</u>

Equipment lease: League of Women Voters has an operating lease for copier equipment which expires March 2019. The rental payments total \$13,800 per year which equates to \$1,150 per month.

Hotel agreements: League of Women Voters has entered into agreements with various hotels to provide accommodations for attendees at meetings, council, and conventions that will be held through June 2020. In the event that League of Women Voters cancels the agreements or has lower than expected attendance, it could be held liable for attrition penalties, depending upon the date of cancellation.

Government grant: In prior years, the League of Women Voters had a grant from the U.S. Department of State. Government grants may be subject to audit by the awarding agencies or their representatives. During the year ended June 30, 2017, League of Women Voters completed such an audit and was obligated to refund grant funds received in excess of allowable costs totaling \$16,909.

League of Women Voters of the United States and Affiliates

Notes to the Consolidated Financial Statements

L. NET ASSETS TRANSFERRED

E the People (ETP) was formed as a nonprofit in accordance with the laws of the State of New York and was exempt from federal income tax under section 501(c)(3) of the Internal Revenue Code. ETP's mission was to enhance democracy by providing online resources and tools for civic participation. The Education Foundation uses the ETP interactive voter guide in its program services. During May 2017, ETP began to wind up its activities in anticipation of terminating by August 31, 2017. ETP was the nation's leading provider of interactive voter guide software. Because the mission of ETP aligned with the Education Fund's mission, an asset transfer agreement was signed indicating that the Education Fund would succeed ETP and assume its operations and assets within the LLC, which is a wholly-owned entity of the Education Fund.

In addition, certain liabilities were also transferred to the LLC. Therefore, beginning in May 2017, ETP transferred, assigned, and delivered its net assets to the LLC in accordance with the asset transfer agreement. In addition, the LLC obtained rights to customized software along with the related customer list of ETP, which was independently appraised and valued at \$21,000, based on estimated future cash flows. The software asset was capitalized and will be amortized on a straight-line basis over three years. Legal fees incurred by the LLC in conjunction with the negotiation of the asset transfer agreement were expensed.

Net assets transferred consisted of the following for the year ended June 30, 2017:

Book value of net assets	\$	52,111
Software		21,000
Legal fees		<u>(31,892)</u>
	\$	<u>41,219</u>

T A T E



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Independent Auditor's Report on the Supplementary Information

To the Board of Directors
League of Women Voters

We have audited the consolidated financial statements of League of Women Voters of the United States and League of Women Voters Education Fund (collectively, League of Women Voters), as of and for the years ended June 30, 2017 and 2016, and our report thereon dated October 19, 2017, which expressed an unmodified opinion on those consolidated financial statements, appears on page one. Our audit was performed for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information on the following pages is presented for the purposes of additional analysis of the consolidated financial statements, rather than to present the financial position and results of operations of the individual entities, and it is not a required part of the consolidated 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 consolidated financial statements. The supplementary information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 basic consolidated financial statements taken as a whole.

Washington, DC
October 19, 2017

League of Women Voters of the United States and Affiliates

Consolidating Statement of Financial Position

June 30, 2017

		Education				
	LWVUS	Fund	LLC	Eliminations	Total	
Assets						
Cash and cash equivalents	\$ 1,470,624	\$ 1,948,689	\$ 15,129	\$ -	\$ 3,434,442	
Investments	976,380	5,211,399			6,187,779	
Investments held to fund deferred compensation	100,434				100,434	
Receivables	414,540	79,102	48,611		542,253	
Due from related entities	175,205			(175,205)	-	
Prepaid expenses and other assets	103,988	13,750	2,000	(13,750)	105,988	
Property and equipment	173,500		19,833		193,333	
Total assets	\$ 3,414,671	\$ 7,252,940	\$ 85,573	\$ (188,955)	\$ 10,564,229	
Liabilities and Net Assets						
Liabilities						
Accounts payable and accrued expenses	\$ 346,862	\$ 179,753	\$ 2,987	\$ -	\$ 529,602	
Due to related entities		134,699	40,506	(175,205)	-	
Amounts held on behalf of state and local Leagues		535,507			535,507	
Deferred revenue			42,544	(13,750)	28,794	
Obligations under annuity agreements		2,117			2,117	
Deferred compensation	100,434				100,434	
Deferred rent and lease incentive	298,601				298,601	
Total liabilities	745,897	852,076	86,037	(188,955)	1,495,055	
Net Assets						
Unrestricted	2,668,774	4,940,482	(464)		7,608,792	
Temporarily restricted		791,307			791,307	
Permanently restricted		669,075			669,075	
Total net assets	2,668,774	6,400,864	(464)	-	9,069,174	
Total liabilities and net assets	\$ 3,414,671	\$ 7,252,940	\$ 85,573	\$ (188,955)	\$ 10,564,229	

League of Women Voters of the United States and Affiliates

Consolidating Statement of Activities Year Ended June 30, 2017

	Education				
	LWVUS	Fund	LLC	Eliminations	Total
Unrestricted activities					
Revenue and support					
Grants and contributions	\$ 4,046,660	\$ 2,936,088	\$ -	\$ -	\$ 6,982,748
Per-member payments	1,263,331				1,263,331
In-kind contributions	904,676				904,676
Publication sales and other income	8,674	201,702	23,348	(13,750)	219,974
Mailing list rental income	200,627				200,627
Contributions in lieu of per-member payments		133,431			133,431
Council and convention	63,372				63,372
Interest and dividends, net	3,727	69,018			72,745
	6,491,067	3,340,239	23,348	(13,750)	9,840,904
Net assets released from restrictions		520,180			520,180
Total revenue and support	6,491,067	3,860,419	23,348	(13,750)	10,361,084
Expense					
Program services					
Election services	77,602	1,344,746	63,683	(13,750)	1,472,281
Communications	961,832	160,386			1,122,218
Advocacy	641,873	158,832			800,705
Member services	150,431	141,786			292,217
Council and convention	114,411				114,411
Total program services	1,946,149	1,805,750	63,683	(13,750)	3,801,832
Supporting services					
Fund raising	2,211,761	631,959			2,843,720
General and administrative	821,951	508,551	1,348		1,331,850
Total supporting services	3,033,712	1,140,510	1,348	-	4,175,570
Total expense	4,979,861	2,946,260	65,031	(13,750)	7,977,402
Change in unrestricted net assets from operations	1,511,206	914,159	(41,683)	-	2,383,682
Net assets transferred			41,219		41,219
Net gain (loss) on investments	(1,842)	245,146			243,304
Change in unrestricted net assets	1,509,364	1,159,305	(464)	-	2,668,205
Temporarily restricted activities					
Grants and contributions		1,033,781			1,033,781
Investment income		62,669			62,669
Net assets released from restrictions		(520,180)			(520,180)
Change in temporarily restricted net assets	-	576,270	-	-	576,270
Change in net assets	1,509,364	1,735,575	(464)	-	3,244,475
Net assets, July 1, 2016	1,159,410	4,665,289	-	-	5,824,699
Net assets, June 30, 2017	\$ 2,668,774	\$ 6,400,864	\$ (464)	\$ -	\$ 9,069,174