

**Audited Consolidated Financial Statements
and Supplementary Information**

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

June 30, 2018

League of Women Voters of the United States and Affiliates

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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, 2018 and 2017, and the related consolidated statements of activities, functional expenses 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, 2018 and 2017, 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 22, 2018

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League of Women Voters of the United States and Affiliates

Consolidated Statements of Financial Position

June 30,	2018	2017
Assets		
Cash and cash equivalents	\$ 3,762,600	\$ 3,434,442
Investments	7,427,784	6,187,779
Investments held to fund deferred compensation	50,438	100,434
Receivables	501,922	542,253
Prepaid expenses and other assets	262,269	105,988
Property and equipment	467,848	193,333
Total assets	\$ 12,472,861	\$ 10,564,229
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 1,057,640	\$ 529,602
Amounts held on behalf of state and local Leagues	521,714	535,507
Deferred revenue	90,775	28,794
Obligation under annuity agreement	2,469	2,117
Deferred compensation	50,438	100,434
Deferred rent and lease incentive	484,014	298,601
Total liabilities	2,207,050	1,495,055
Commitments and contingencies	-	-
Net Assets		
Without donor restrictions	9,120,106	7,608,792
With donor restrictions	1,145,705	1,460,382
Total net assets	10,265,811	9,069,174
Total liabilities and net assets	\$ 12,472,861	\$ 10,564,229

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,	2018	2017
Activities without donor restrictions		
Revenue and support		
Grants and contributions	\$ 6,128,053	\$ 6,982,748
Per-member payments	1,414,075	1,263,331
In-kind contributions	732,142	904,676
Council and convention	407,915	63,372
Mailing list rental income	319,615	200,627
Publication sales and other income	266,565	219,974
Interest and dividends, net	115,201	72,745
Contributions in lieu of per-member payments	88,294	133,431
	9,471,860	9,840,904
Net assets released from restrictions	609,034	520,180
Total revenue and support	10,080,894	10,361,084
Expense		
Program services		
Election services	1,382,402	1,472,281
Communications	1,088,867	1,122,218
Advocacy	633,190	800,705
Council and convention	453,927	114,411
Member services	237,703	292,217
Total program services	3,796,089	3,801,832
Supporting services		
Fund raising	3,145,988	2,843,720
General and administrative	1,877,316	1,331,850
Total supporting services	5,023,304	4,175,570
Total expense	8,819,393	7,977,402
Change in net assets without donor restrictions from operations	1,261,501	2,383,682
Net gain on investments	249,813	243,304
Net assets transferred	-	41,219
Change in net assets without donor restrictions	1,511,314	2,668,205
Activities with donor restrictions		
Grants and contributions	237,498	1,033,781
Investment income	56,859	62,669
Net assets released from restrictions	(609,034)	(520,180)
Change in net assets with donor restrictions	(314,677)	576,270
Change in net assets	1,196,637	3,244,475
Net assets, beginning of year	9,069,174	5,824,699
Net assets, end of the year	\$ 10,265,811	\$ 9,069,174

See notes to the consolidated financial statements.

League of Women Voters of the United States and Affiliates

Consolidated Statement of Functional Expense

Year Ended June 30, 2018

	Program Services						Supporting Services			Total Expense
	Election Services	Communications	Advocacy	Council and Convention	Member Services	Total Program Services	Fund Raising	General and Administrative	Total Supporting Services	
Salaries and benefits	\$ 445,706	\$ 240,373	\$ 179,310	\$ -	\$ 130,264	\$ 995,653	\$ 448,264	\$ 967,547	\$ 1,415,811	\$ 2,411,464
Contracted services	61,137	221,404	16,420	89,168	15,530	403,659	750,875	356,119	1,106,994	1,510,653
Postage and printing	525	466,000	69	16,072	4,368	487,034	717,864	4,893	722,757	1,209,791
Fund raising services						-	783,466		783,466	783,466
In-kind advertising and legal	434,630		297,512			732,142			-	732,142
Rent and storage						-		491,302	491,302	491,302
Meetings			569	323,750		324,319	127	32,080	32,207	356,526
Contracts with Leagues	249,049		42,500	11,000	8,968	311,517		22,150	22,150	333,667
Professional fees	15,375					15,375		200,314	200,314	215,689
List rental		48,102				48,102	87,342		87,342	135,444
Other taxes and licenses	298	194	11,300		18,708	30,500	22,018	76,572	98,590	129,090
Travel	3,684	1,857	3,963	10,766	342	20,612	25,996	77,666	103,662	124,274
Bank and credit card fees	183					183	92,777	21,731	114,508	114,691
Depreciation and amortization	7,000					7,000		100,259	100,259	107,259
Office supplies				783	60	843	5,131	52,412	57,543	58,386
Insurance						-	400	21,208	21,608	21,608
Miscellaneous			376	2,388	180	2,944	4,250	13,577	17,827	20,771
Membership dues		1,975				1,975	1,329	13,288	14,617	16,592
Equipment rental and maintenance						-		15,184	15,184	15,184
Conferences and training	11					11	57	10,595	10,652	10,663
Telecommunications	613	150				763		6,475	6,475	7,238
Professional development	75				939	1,014	3,171	2,691	5,862	6,876
Bad debt						-		6,500	6,500	6,500
Interest						-		117	117	117
General and administration allocation	164,116	108,812	81,171		58,344	412,443	202,921	(615,364)	(412,443)	-
	\$ 1,382,402	\$ 1,088,867	\$ 633,190	\$ 453,927	\$ 237,703	\$ 3,796,089	\$ 3,145,988	\$ 1,877,316	\$ 5,023,304	\$ 8,819,393

See notes to the consolidated financial statements.

League of Women Voters of the United States and Affiliates

Consolidated Statement of Functional Expense

Year Ended June 30, 2017

	Program Services						Supporting Services			Total Expense
	Election	Communications	Advocacy	Council and	Member	Total	Fund Raising	General and	Total	
	Services			Convention		Services		Program	Administrative	
Salaries and benefits	\$ 348,930	\$ 137,564	\$ 213,129	\$ -	\$ 99,631	\$ 799,254	\$ 370,716	\$ 777,433	\$ 1,148,149	\$ 1,947,403
Contracted services	244,960	206,705		17,928	56,818	526,411	582,300	197,527	779,827	1,306,238
Postage and printing	11,377	594,472		4,155	2,377	612,381	774,081	10,124	784,205	1,396,586
Fund raising services						-	673,699		673,699	673,699
In-kind advertising and legal	446,269		440,907			887,176		17,500	17,500	904,676
Rent and storage	2,000					2,000		498,712	498,712	500,712
Meetings		302	418	87,857	4,432	93,009	1,357	16,090	17,447	110,456
Contracts with Leagues	116,637					116,637			-	116,637
Professional fees	39,656					39,656		254,054	254,054	293,710
List rental		83,653				83,653	87,083	4,365	91,448	175,101
Other taxes and licenses		1,443	3,692		42,991	48,126	23,949	38,546	62,495	110,621
Travel	1,921	126	360	4,463	12,666	19,536	5,165	65,213	70,378	89,914
Bank and credit card fees		1,384				1,384		31,803	31,803	33,187
Depreciation and amortization	1,167					1,167		66,578	66,578	67,745
Office supplies	305	938	450	8		1,701	234	6,993	7,227	8,928
Insurance						-	71,503	23,135	94,638	94,638
Miscellaneous	16,908	2,962				19,870	1,456	8,761	10,217	30,087
Membership dues						-	839	8,275	9,114	9,114
Equipment rental and maintenance						-		11,728	11,728	11,728
Conferences and training					6,313	6,313	1,584	33,705	35,289	41,602
Telecommunications	274	1,256				1,530		26,559	26,559	28,089
Professional development						-	646	366	1,012	1,012
Bad debt						-		25,000	25,000	25,000
Interest						-	400	119	519	519
General and administration allocation	241,877	91,413	141,749		66,989	542,028	248,708	(790,736)	(542,028)	-
	\$ 1,472,281	\$ 1,122,218	\$ 800,705	\$ 114,411	\$ 292,217	\$ 3,801,832	\$ 2,843,720	\$ 1,331,850	\$ 4,175,570	\$ 7,977,402

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,	2018	2017
Cash flows from operating activities		
Change in net assets	\$ 1,196,637	\$ 3,244,475
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Net gain on investments	(290,084)	(292,205)
Bad debt	6,500	25,000
Depreciation and amortization	107,259	67,745
Change in value of gift annuities	2,762	(998)
Changes in assets and liabilities		
Receivables	33,831	(516,820)
Prepaid expenses and other assets	(156,281)	22,120
Accounts payable and accrued expenses	528,038	(421,933)
Amounts held on behalf of state and local Leagues	(13,793)	(31,395)
Deferred revenue	61,981	28,794
Deferred rent and lease incentive	185,413	44,392
Total adjustments	465,626	(1,075,300)
Net cash provided by operating activities	1,662,263	2,169,175
Cash flows from investing activities		
Purchases of investments	(3,466,967)	(5,996,999)
Proceeds from sales of investments	2,517,046	3,417,271
Purchases of property and equipment	(381,774)	(63,929)
Net cash used in investing activities	(1,331,695)	(2,643,657)
Cash flows from financing activities		
Payments made on annuity agreements	(2,410)	(2,267)
Net cash used in financing activities	(2,410)	(2,267)
Net increase (decrease) in cash and cash equivalents	328,158	(476,749)
Cash and cash equivalents, beginning of year	3,434,442	3,911,191
Cash and cash equivalents, end of year	\$ 3,762,600	\$ 3,434,442
Supplemental Disclosures of Cash Flow Information		
Assets and liabilities transferred	\$ -	\$ 73,111
Donated investments liquidated to cash	\$ 94,086	\$ 2,081

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 as 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, the Virgin Islands and Hong Kong.

League of Women Voters Education Fund (the 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.

The Education Fund is the sole member of e.thePeople, LLC (the LLC) which was formed in April 2017 in accordance with the laws of the State of Delaware. The LLC owns the online interactive voter guide software.

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.

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, certificates of deposit, 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 of licensing fees related to interactive voter guides. The licensing fees are received in advance of the period in which they are earned. Licensing fees are recognized ratably over the period of service in accordance with the underlying agreements and have been included in publication sales and other income in the accompanying consolidated statements of activities.

Obligation under annuity agreement: League of Women Voters has a charitable gift annuity agreement with a donor. Contribution revenue related to the charitable gift annuity was recognized at the date the agreement was established, net of the liability for the present value of the estimated future payments to be made to the donor. A commercial bank serves as the trustee which invests the underlying assets and makes payments in accordance with the agreement. Investments related to the charitable gift annuity totaled \$348,274 and \$326,983 at June 30, 2018 and 2017, respectively. League of Women Voters calculated the net present value of the estimated future payments using an estimated life expectancy of three years and a discount rate of 2.35%. The net present value of the obligation under the annuity agreement totaled \$2,469 and \$2,117 at June 30, 2018 and 2017, 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 activities without donor restrictions or activities with donor restrictions depending upon the existence and/or nature of donor restrictions. Support that is restricted by the donor is reported as an increase in net assets with donor restrictions. Within net assets with donor restrictions, amounts are reclassified to net assets without donor restrictions when restrictions are satisfied or expire (that is, when a purpose restriction is accomplished or a stipulated time restriction ends).

Functional allocation of expenses: Certain costs are allocated among multiple program services or supporting services activities. Allocable costs include operations, human resources, finance, information technology support, Board of Directors, executive administration, depreciation, and amortization. The costs are allocated among program services and supporting services activities based on employee effort.

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.

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

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

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 gain on investments and net assets transferred in the change in net assets without donor restrictions from operations.

Change in accounting policies: League of Women Voters adopted FASB Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities: Presentation of Financial Statements of Not-for-Profit Entities*, during the year ended June 30, 2018. ASU 2016-04 refreshes current accounting standards by simplifying the presentation of net assets on the face of the financial statements and enhancing disclosures related to liquidity. Accounting and reporting changes related to ASU No. 2016-14 have been retrospectively applied to all prior periods presented as if the policy had always been in effect.

Subsequent events: Subsequent events have been evaluated through October 22, 2018, which is the date the consolidated financial statements were available to be issued.

League of Women Voters of the United States and Affiliates

Notes to the Consolidated Financial Statements

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.

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

Investments and investments held to fund deferred compensation consisted of the following at June 30,:

	2018	2017
Investments		
Common stocks	\$ 3,261,043	\$ 2,999,826
Mutual funds - equity	871,069	793,529
Mutual funds - fixed income	3,295,672	2,394,424
	\$ 7,427,784	\$ 6,187,779
Investments held to fund deferred compensation		
Mutual funds - equity	\$ 47,019	\$ 96,955
Mutual funds - fixed income	3,419	3,479
	\$ 50,438	\$ 100,434

League of Women Voters of the United States and Affiliates

Notes to the Consolidated Financial Statements

C. INVESTMENTS - CONTINUED

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

	2018	2017
Without donor restrictions		
Interest and dividends	\$ 155,475	\$ 112,086
Investment management fees	(40,274)	(39,341)
Net gain on investments	249,813	243,304
Subtotal without donor restrictions	365,014	316,049
With donor restrictions		
Interest and dividends	23,070	21,204
Investment management fees	(6,482)	(7,436)
Net gain on investments	40,271	48,901
Subtotal with donor restrictions	56,859	62,669
	\$ 421,873	\$ 378,718

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 unconditional promises to give grants and contributions which are expected to be collected over multiple years. Promises to give grants and contributions due in less than one year are recorded at net realizable value. Promises to give grants and contributions due in more than one year are reflected at the net present value of estimated future cash flows using discount rates ranging from 1.44% to 1.71% at June 30, 2018 and 2017.

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 \$64,726 and \$67,137 at June 30, 2018 and 2017, 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 rate of 2.35% at June 30, 2018 and 2017. Therefore, the net present value of the pooled income funds totaled \$51,706 and \$54,102 at June 30, 2018 and 2017, respectively.

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,:

	2018	2017
Grants and contributions receivable	\$ 170,000	\$ 433,270
Tenant improvement reimbursement	163,090	-
Publications and other income	102,604	48,611
Interest in pooled income fund, at fair value	64,726	67,137
Per-member payments	<u>33,974</u>	<u>36,893</u>
	534,394	585,911
Less allowance for doubtful receivables	(16,893)	(25,000)
Less discount to net present value	<u>(15,579)</u>	<u>(18,658)</u>
	<u>\$ 501,922</u>	<u>\$ 542,253</u>

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

	2018	2017
Amounts due in less than one year	\$ 15,000	\$ 183,270
Amounts due in one to five years	<u>155,000</u>	<u>250,000</u>
	170,000	433,270
Less discount to net present value	<u>(2,559)</u>	<u>(5,623)</u>
	<u>\$ 167,441</u>	<u>\$ 427,647</u>

E. LIQUIDITY

League of Women Voters receives contributions with donor restrictions to be used in accordance with the associated purpose restrictions. Contributions may include gifts to establish endowments that will exist in perpetuity; the income generated from such endowments is used to fund programs or to be used to support operations. In addition, League of Women Voters receives contributions without donor restrictions; such support has historically represented approximately 70% of annual operations, with the remainder funded by other revenue streams, including investment income without donor restrictions and appropriated earnings from investment income with donor restrictions (i.e., endowment funds).

League of Women Voters considers investment income without donor restrictions, appropriated earnings from donor-restricted endowments, contributions without donor restrictions, and contributions with donor restrictions for use in programs that are ongoing, major, and central to its annual operations as available to meet cash needs for general expenditures. General expenditures include general and administrative expense, fund raising expense, and grant commitments expected to be paid in the subsequent year. Annual operations are defined as total expense related to both program services and supporting services activities.

League of Women Voters of the United States and Affiliates

Notes to the Consolidated Financial Statements

E. LIQUIDITY - CONTINUED

League of Women Voters manages its cash available to meet general expenditures through the following three guiding principles:

- Operating within a prudent range of financial soundness and stability,
- Maintaining adequate liquid assets, and
- Maintaining sufficient reserves to provide reasonable assurance that long term agreements or other commitments and obligations under endowments with donor restrictions will continue to be met, thereby ensuring the sustainability of League of Women Voters.

League of Women Voters' operates on a biennial budget cycle which is approved by LWVUS members at National Convention. The most recent biennial budget for the years ending June 30, 2019 through 2020 was approved at the 53rd National Convention in Chicago, Illinois on July 1, 2018. The Board of Directors meets several times each year to review the consolidated financial statements and to approve unbudgeted expenses.

The following provides a summary of financial assets available for general expenditures at June 30,:

	2018	2017
Cash and cash equivalents	\$ 3,762,600	\$ 3,434,442
Investments	7,427,784	6,187,779
Investments held to fund deferred compensation	50,438	100,434
Receivables	501,922	542,253
Subtotal financial assets	11,742,744	10,264,908
Amounts not available for general expenditures within one year:		
Net assets with donor restrictions	(1,145,705)	(1,460,382)
Investments held to fund deferred compensation	(50,438)	(100,434)
Receivables		
Interest in pooled income fund, at fair value	(64,726)	(67,137)
Amounts due in one to five years, net	(152,441)	(244,377)
	\$ 10,329,434	\$ 8,392,578

League of Women Voters of the United States and Affiliates

Notes to the Consolidated Financial Statements

F. PROPERTY AND EQUIPMENT

Acquisitions of property and equipment greater than \$2,500 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. 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,:

	2018	2017
Furniture and equipment	\$ 999,754	\$ 856,715
Leasehold improvements	<u>532,523</u>	<u>356,457</u>
	1,532,277	1,213,172
Less accumulated depreciation and amortization	<u>(1,064,429)</u>	<u>(1,019,839)</u>
	<u>\$ 467,848</u>	<u>\$ 193,333</u>

G. 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 \$106,656 and \$95,798 for the years ended June 30, 2018 and 2017, 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 plan: League of Women Voters sponsors a deferred compensation plan under Internal Revenue Code Section 457(b). Investments held to fund the obligation related to the deferred compensation plan have been recorded at fair value in the accompanying consolidated statements of financial position. Deferred compensation assets and the related liability totaled \$50,438 and \$100,434 at June 30, 2018 and 2017, respectively.

League of Women Voters of the United States and Affiliates

Notes to the Consolidated Financial Statements

H. NET ASSETS

Net assets without donor restrictions: Net assets without donor restrictions include those net assets whose use is not restricted by donors. LWVUS has no board-designated net assets.

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

Net assets with donor restrictions consisted of the following at June 30,:

	2018	2017
Endowment funds	\$ 749,320	\$ 724,276
Time restriction	167,441	369,377
Leadership fund	136,138	111,523
Pooled income fund	51,706	54,102
DC Voting Rights	22,000	-
100th Anniversary	19,100	15,000
Organizational transformation	-	186,104
	\$ 1,145,705	\$ 1,460,382

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.

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

	2018	2017
Organizational transformation	\$ 186,104	\$ 123,896
Time restriction	265,000	125,000
DC Voting Rights	78,000	50,000
Power the Vote	46,650	22,000
Vote 411	20,200	173,521
Leadership fund	7,200	23,098
High School Voter Registration	5,000	-
100th Anniversary	880	-
Public Advocacy for Voter Protection	-	2,083
Clean Air Act	-	582
	\$ 609,034	\$ 520,180

League of Women Voters of the United States and Affiliates

Notes to the Consolidated Financial Statements

I. ENDOWMENTS

Endowments 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 net assets with donor restriction (1) the original value of gifts donated to the endowment, (2) the original value of subsequent gifts to the endowment, (3) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument, and (4) endowment investment return in excess of the endowment payout. Endowment funds 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 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.

League of Women Voters of the United States and Affiliates

Notes to the Consolidated Financial Statements

I. ENDOWMENTS - CONTINUED

Spending Policy and How the Investment Objectives Relate to Spending Policy

League of Women Voters has a policy that allows an annual appropriation of no more than 10% and no less than 5% of the average fair value of the endowment fund from the trailing three years. Annual earnings from 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 the endowments. This is consistent with League of Women Voters' objective to maintain the purchasing power of the endowment funds as well as to provide additional real growth through new gifts and investment return. An appropriation of \$31,815 and \$33,925 from the endowment funds was transferred to the leadership fund during the years ended June 30, 2018 and 2017, respectively.

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. However, the endowments had no such deficiencies as of June 30, 2018 and 2017.

Endowments consisted of the following at June 30, 2018:

2018	Without donor Restrictions	With donor Restrictions	Total
Ruth S. Shur Leadership Institute fund	\$ -	\$ 543,156	\$ 543,156
Nikki Harris Online Training fund		137,089	137,089
General Endowment fund		69,075	69,075
	\$ -	\$ 749,320	\$ 749,320

Endowments consisted of the following at June 30, 2017:

2017	Without donor Restrictions	With donor Restrictions	Total
Ruth S. Shur Leadership Institute fund	\$ -	\$ 523,089	\$ 523,089
Nikki Harris Online Training fund		132,112	132,112
General Endowment fund		69,075	69,075
	\$ -	\$ 724,276	\$ 724,276

League of Women Voters of the United States and Affiliates

Notes to the Consolidated Financial Statements

I. ENDOWMENTS - CONTINUED

Changes in endowments consisted of the following for the year ended June 30, 2018:

2018	Without donor Restrictions	With donor Restrictions	Total
Endowments, July 1, 2017	\$ -	\$ 724,276	\$ 724,276
Interest and dividends		23,070	23,070
Net gain on investments		40,271	40,271
Investment management fees		(6,482)	(6,482)
	-	56,859	56,859
Appropriations		(31,815)	(31,815)
Endowments, June 30, 2018	\$ -	\$ 749,320	\$ 749,320

Changes in endowments consisted of the following for the year ended June 30, 2017:

2017	Without donor Restrictions	With donor Restrictions	Total
Endowments, July 1, 2016	\$ (3,159)	\$ 695,532	\$ 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	\$ -	\$ 724,276	\$ 724,276

League of Women Voters of the United States and Affiliates

Notes to the Consolidated Financial Statements

J. 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.

Donated advertising expense was classified within the election services program, donated legal services were classified within the advocacy program, and donated event support was classified within general and administrative in the consolidated statements of activities.

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

	2018	2017
Advertising	\$ 434,630	\$ 446,269
Legal services	297,512	440,907
Event support	-	17,500
	\$ 732,142	\$ 904,676

K. 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 \$992,409 and \$1,262,438 during the years ended June 30, 2018 and 2017, respectively.

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

	2018	2017
Communications	\$ 540,269	\$ 691,852
Fund raising	452,140	570,586
	\$ 992,409	\$ 1,262,438

League of Women Voters of the United States and Affiliates

Notes to the Consolidated Financial Statements

L. 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 \$491,302 and \$500,712 for the years ended June 30, 2018 and 2017, respectively. The future minimum lease payments under the office lease are as follows:

Year Ending June 30,	Amount
2019	\$ 508,600
2020	524,800
2021	537,900
2022	551,300
2023	565,200
Thereafter	<u>725,000</u>
	<u>\$ 3,412,800</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.

Employment agreement: League of Women Voters has an agreement with its Chief Executive Officer which expires in July 2021. In accordance with the terms of the agreement, League of Women Voters may be obligated to pay severance as stipulated in the agreement.

League of Women Voters of the United States and Affiliates

Notes to the Consolidated Financial Statements

M. 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, such as the online interactive voter guide. The Education Foundation uses the online interactive voter guide in delivering its program services. During May 2017, ETP unwound 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, via the LLC, would succeed ETP.

Therefore, the assets and certain liabilities of ETP were transferred to the LLC in May 2017, in accordance with an 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 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.

The net assets transferred from ETP to the LLC consisted of the following during the year ended June 30, 2017:

Book value of net assets	\$	52,111
Software capitalized		21,000
Less 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, 2018 and 2017, and our report thereon dated October 22, 2018, 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 22, 2018

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League of Women Voters of the United States and Affiliates

Consolidating Statement of Financial Position

June 30, 2018

	Education					Total
	LWVUS	Fund	LLC	Eliminations		
Assets						
Cash and cash equivalents	\$ 1,940,380	\$ 1,795,142	\$ 27,078	\$ -		\$ 3,762,600
Investments	1,447,433	5,980,351				7,427,784
Investments held to fund deferred compensation	50,438					50,438
Investment in LLC		21,460		(21,460)		-
Receivables	348,464	125,712	27,746			501,922
Due from affiliates	194,808			(194,808)		-
Prepaid expenses and other assets	262,269	3,750		(3,750)		262,269
Property and equipment	455,015		12,833			467,848
Total assets	\$ 4,698,807	\$ 7,926,415	\$ 67,657	\$ (220,018)		\$ 12,472,861
Liabilities and Net Assets						
Liabilities						
Accounts payable and accrued expenses	\$ 891,303	\$ 153,198	\$ 13,139	\$ -		\$ 1,057,640
Due to affiliates		193,225	1,583	(194,808)		-
Amounts held on behalf of state and local Leagues		521,714				521,714
Deferred revenue		63,050	31,475	(3,750)		90,775
Obligation under annuity agreement		2,469				2,469
Deferred compensation	50,438					50,438
Deferred rent and lease incentive	484,014					484,014
Total liabilities	1,425,755	933,656	46,197	(198,558)		2,207,050
Net Assets						
Without donor restrictions	3,149,936	5,970,170	21,460	(21,460)		9,120,106
With donor restrictions	123,116	1,022,589				1,145,705
Total net assets	3,273,052	6,992,759	21,460	(21,460)		10,265,811
Total liabilities and net assets	\$ 4,698,807	\$ 7,926,415	\$ 67,657	\$ (220,018)		\$ 12,472,861

League of Women Voters of the United States and Affiliates

Consolidating Statement of Activities Year Ended June 30, 2018

	LWVUS	Education Fund	LLC	Eliminations	Total
Activities without donor restrictions					
Revenue and support					
Grants and contributions	\$ 3,863,361	\$ 2,264,692	\$ -	\$ -	\$ 6,128,053
Per-member payments	1,414,075				1,414,075
In-kind contributions	297,512	434,630	88,214	(88,214)	732,142
Council and convention	407,915				407,915
Mailing list rental income	319,615				319,615
Publication sales and other income	2,330	186,517	176,468	(98,750)	266,565
Interest and dividends, net	32,056	83,145			115,201
Contributions in lieu of per-member payments		88,294			88,294
	6,336,864	3,057,278	264,682	(186,964)	9,471,860
Net assets released from restrictions	250,000	359,034			609,034
Total revenue and support	6,586,864	3,416,312	264,682	(186,964)	10,080,894
Expense					
Program services					
Election services	105,606	1,227,627	236,133	(186,964)	1,382,402
Communications	1,024,200	64,667			1,088,867
Advocacy	515,114	118,076			633,190
Council and convention	453,927				453,927
Member services	144,910	92,793			237,703
Total program services	2,243,757	1,503,163	236,133	(186,964)	3,796,089
Supporting services					
Fund raising	2,394,153	751,835			3,145,988
General and administrative	1,146,346	724,345	6,625		1,877,316
Total supporting services	3,540,499	1,476,180	6,625	-	5,023,304
Total expense	5,784,256	2,979,343	242,758	(186,964)	8,819,393
Change in net assets without donor restrictions from operations	802,608	436,969	21,924	-	1,261,501
Net gain on investments	47,931	201,882			249,813
Equity in earnings in LLC		21,460		(21,460)	-
Change in net assets without donor restrictions	850,539	660,311	21,924	(21,460)	1,511,314
Activities with donor restrictions					
Grants and contributions	3,739	233,759			237,498
Investment income		56,859			56,859
Net assets released from restrictions	(250,000)	(359,034)			(609,034)
Change in net assets with donor restrictions	(246,261)	(68,416)	-	-	(314,677)
Change in net assets	604,278	591,895	21,924	(21,460)	1,196,637
Net assets, July 1, 2017	2,668,774	6,400,864	(464)	-	9,069,174
Net assets, June 30, 2018	\$ 3,273,052	\$ 6,992,759	\$ 21,460	\$ (21,460)	\$ 10,265,811