

# **League of Women Voters Education Fund and Affiliate**

Consolidated Financial Report  
June 30, 2021

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## **Independent Auditor's Report**

RSM US LLP

Board of Trustees  
League of Women Voters Education Fund

### **Report on the Financial Statements**

We have audited the accompanying consolidated financial statements of League of Women Education Fund and Affiliate (collectively, the Education Fund), which comprise the consolidated statements of financial position as of June 30, 2021 and 2020, 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 (collectively, the financial statements).

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Education Fund's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Education Fund's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of League of Women Voters Education Fund and Affiliate as of June 30, 2021 and 2020, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*RSM US LLP*

Washington, D.C.  
February 14, 2022

**League of Women Voters Education Fund and Affiliate**

**Consolidated Statements of Financial Position**  
**June 30, 2021 and 2020**

	2021	2020
<b>Assets</b>		
Cash and cash equivalents	\$ 4,387,749	\$ 2,952,092
Investments	8,224,189	6,862,197
Receivables, net	242,101	425,368
Prepaid expense	61,691	16,667
Property and equipment, net	86,766	149,280
<b>Total assets</b>	<b>\$ 13,002,496</b>	<b>\$ 10,405,604</b>
<b>Liabilities and Net Assets</b>		
Liabilities:		
Accounts payable and accrued expense	\$ 707,156	\$ 252,946
Amount due to LWVUS	630,189	39,061
Deferred revenue	103,062	86,677
Amounts held on behalf of state and local Leagues	569,573	550,343
Deferred rent and loss on sublease	516,728	208,122
<b>Total liabilities</b>	<b>2,526,708</b>	<b>1,137,149</b>
Commitments and contingencies (Note 10)		
Net assets:		
Without donor restrictions	8,408,727	6,804,120
With donor restrictions	2,067,061	2,464,335
<b>Total net assets</b>	<b>10,475,788</b>	<b>9,268,455</b>
<b>Total liabilities and net assets</b>	<b>\$ 13,002,496</b>	<b>\$ 10,405,604</b>

See notes to consolidated financial statements.

# League of Women Voters Education Fund and Affiliate

## Consolidated Statements of Activities Years Ended June 30, 2021 and 2020

	2021	2020
Activities without donor restrictions:		
Revenue and support:		
Contributions	\$ 4,817,095	\$ 3,094,004
In-kind contributions	821,895	460,068
Publication sales and other income	205,425	150,351
Interest and dividends, net of fees	145,950	178,003
Sublease income	125,336	-
Contributions in lieu of per-member payments	91,467	66,925
Net assets released from restrictions	1,446,071	1,142,738
<b>Total revenue and support</b>	<b>7,653,239</b>	<b>5,092,089</b>
Expenses:		
Program services:		
Mission impact	3,159,698	1,692,451
Communications	787,480	300,154
Outcome and evaluation	693,063	157,064
Advocacy	480,060	806,077
Member services	256,191	251,963
Council and convention	2,625	3,000
<b>Total program services</b>	<b>5,379,117</b>	<b>3,210,709</b>
Supporting services:		
Fundraising	680,305	765,385
General and administrative	517,323	660,758
<b>Total supporting services</b>	<b>1,197,628</b>	<b>1,426,143</b>
<b>Total expenses</b>	<b>6,576,745</b>	<b>4,636,852</b>
<b>Change in net assets without donor restrictions before other items</b>	<b>1,076,494</b>	<b>455,237</b>
Net realized and unrealized gain on investments	851,597	72,996
Loss on sublease	(323,484)	-
<b>Change in net assets without donor restrictions</b>	<b>1,604,607</b>	<b>528,233</b>
Activities with donor restrictions:		
Contributions	611,417	2,358,587
Net investment return	437,380	49,956
Net assets released from restrictions	(1,446,071)	(1,142,738)
<b>Change in net assets with donor restrictions</b>	<b>(397,274)</b>	<b>1,265,805</b>
<b>Change in net assets</b>	<b>1,207,333</b>	<b>1,794,038</b>
Net assets:		
Beginning	9,268,455	7,474,417
Ending	\$ 10,475,788	\$ 9,268,455

See notes to consolidated financial statements.

## League of Women Voters Education Fund and Affiliate

### Consolidated Statement of Functional Expenses Year Ended June 30, 2021

	Program Services							Supporting Services				
	Mission Impact	Communications	Outcome and Evaluation	Advocacy	Member Services	Council and Convention	Total Program Services	Fundraising	General and Administrative	Total Supporting Services	Total Expenses	
Salaries and benefits	\$ 743,880	\$ 296,477	\$ 113,087	\$ 360,900	\$ 190,805	\$ -	\$ 1,705,149	\$ 122,083	\$ 378,429	\$ 500,512	\$ 2,205,661	
Contracted services	516,479	340,541	3,000	-	3,410	2,625	866,055	246,987	7,979	254,966	1,121,021	
In-kind advertising	821,895	-	-	-	-	-	821,895	-	-	-	821,895	
Postage and printing	546,135	49,752	-	-	-	-	595,887	110,023	-	110,023	705,910	
Grants	114,400	-	538,530	-	500	-	653,430	-	-	-	653,430	
Occupancy	115,217	45,920	17,516	55,899	29,553	-	264,105	18,909	58,614	77,523	341,628	
Other expense	83,649	15,662	6,004	12,525	6,741	-	124,581	71,210	17,444	88,654	213,235	
Travel	88,576	18,762	7,157	22,839	12,075	-	149,409	7,726	23,970	31,696	181,105	
Professional services	66,801	20,366	7,769	27,897	13,107	-	135,940	8,387	29,481	37,868	173,808	
Depreciation and amortization	62,514	-	-	-	-	-	62,514	-	-	-	62,514	
Fundraising services	-	-	-	-	-	-	-	94,980	-	94,980	94,980	
Software and licensing	-	-	-	-	-	-	-	-	1,356	1,356	1,356	
Conference and meetings	152	-	-	-	-	-	152	-	50	50	202	
	\$ 3,159,698	\$ 787,480	\$ 693,063	\$ 480,060	\$ 256,191	\$ 2,625	\$ 5,379,117	\$ 680,305	\$ 517,323	\$ 1,197,628	\$ 6,576,745	

See notes to consolidated financial statements.

## League of Women Voters Education Fund and Affiliate

### Consolidated Statement of Functional Expenses Year Ended June 30, 2020

	Program Services							Supporting Services			Total Expenses
	Mission Impact	Communications	Outcome and Evaluation	Advocacy	Member Services	Council and Convention	Total Program Services	Fundraising	General and Administrative	Total Supporting Services	
Salaries and benefits	\$ 617,626	\$ 81,495	\$ 115,891	\$ 282,144	\$ 173,314	\$ -	\$ 1,270,470	\$ 196,041	\$ 335,323	\$ 531,364	\$ 1,801,834
Contracted services	174,575	194,493	9,276	22,583	30,862	3,000	434,789	169,514	124,425	293,939	728,728
In-kind advertising	460,068	-	-	-	-	-	460,068	-	-	-	460,068
Postage and printing	1,283	1,677	402	224	602	-	4,188	163,121	1,912	165,033	169,221
Grants	109,138	-	-	333,175	-	-	442,313	-	19,367	19,367	461,680
Occupancy	88,336	16,220	23,066	56,156	33,860	-	217,638	39,018	67,614	106,632	324,270
Other expense	42,450	-	2,892	8,843	4,773	-	58,958	16,119	63,489	79,608	138,566
Travel	5,998	296	338	25,090	506	-	32,228	7,878	4,640	12,518	44,746
Professional services	123,023	169	241	586	360	-	124,379	407	9,084	9,491	133,870
Depreciation and amortization	42,885	-	-	-	-	-	42,885	-	-	-	42,885
Fundraising services	-	-	-	-	-	-	-	165,284	-	165,284	165,284
Software and licensing	24,894	3,276	4,658	11,341	7,600	-	51,769	7,880	13,509	21,389	73,158
Conference and meetings	2,175	2,528	300	65,935	86	-	71,024	123	21,395	21,518	92,542
	<u>\$ 1,692,451</u>	<u>\$ 300,154</u>	<u>\$ 157,064</u>	<u>\$ 806,077</u>	<u>\$ 251,963</u>	<u>\$ 3,000</u>	<u>\$ 3,210,709</u>	<u>\$ 765,385</u>	<u>\$ 660,758</u>	<u>\$ 1,426,143</u>	<u>\$ 4,636,852</u>

See notes to consolidated financial statements.

# League of Women Voters Education Fund and Affiliate

## Consolidated Statements of Cash Flows Years Ended June 30, 2021 and 2020

	2021	2020
Cash flows from operating activities:		
Change in net assets	\$ 1,207,333	\$ 1,794,038
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Net realized and unrealized gain on investments	(1,246,698)	(92,709)
Bad debt expense	-	48,423
Change in discount to net present value	(824)	(4,008)
Depreciation and amortization	62,514	42,885
Deferred rent	(14,878)	208,122
Loss on sublease	323,484	-
Changes in assets and liabilities:		
(Increase) decrease in:		
Receivables	184,091	(211,472)
Prepaid expense	(45,024)	(7,754)
Increase (decrease) in:		
Accounts payable and accrued expense	454,210	(26,677)
Amount due to LWVUS	591,128	(78,989)
Deferred revenue	16,385	25,977
Amounts held on behalf of state and local Leagues	19,230	51,325
<b>Net cash provided by operating activities</b>	<b>1,550,951</b>	<b>1,749,161</b>
Cash flows from investing activities:		
Proceeds from sales of investments	3,799,936	631,572
Purchases of investments	(3,915,230)	(512,448)
Purchases of property and equipment	-	(92,362)
<b>Net cash (used in) provided by investing activities</b>	<b>(115,294)</b>	<b>26,762</b>
<b>Net increase in cash and cash equivalents</b>	<b>1,435,657</b>	<b>1,775,923</b>
Cash and cash equivalents:		
Beginning	2,952,092	1,176,169
Ending	\$ 4,387,749	\$ 2,952,092
Supplemental disclosure of cash flow information:		
Donated investments liquidated to cash	\$ 112,338	\$ 216,800

See notes to consolidated financial statements.



## League of Women Voters Education Fund and Affiliate

### Notes to Consolidated Financial Statements

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#### Note 1. Nature of Activities and Significant Accounting Policies

**Nature of activities:** League of Women Voters Education Fund (the Education Fund) was established in 1957 by League of Women Voters of the United States (LWVUS) as a charitable trust dedicated to strengthening citizen knowledge of, and involvement in, government. The Education Fund works to register voters, provide voters with election information through voter guides as well as candidate forums and debates.

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 software related to the online interactive voter guide.

At its meeting in January 2021, the Education Fund's Board of Trustees approved a motion to dissolve the LLC. Therefore, on December 27, 2021 (subsequent to year ended June 30, 2021), the LLC was legally dissolved in accordance with the laws of the state of Delaware.

Program services include the following activities:

**Mission impact:** The mission impact 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 the Education Fund's website, prepare and disseminate materials and publications which promote political awareness and responsibility, and which address selected issues.

**Outcome and evaluation:** The outcome and evaluation function includes collecting and analyzing data to measure the Education Fund's impact, and ensure refinement of programs to improve that impact.

**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 include the following activities:

**Fundraising:** The fundraising function includes activities that encourage and secure financial support for the Education Fund.

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

A summary of the Education Fund's significant accounting policies is as follows:

**Principles of consolidation:** The consolidated financial statements include the accounts of the Education Fund and the LLC. Significant inter-entity accounts and transactions have been eliminated in consolidation. For purposes of this report, the entities are collectively referred to as the Education Fund.

## League of Women Voters Education Fund and Affiliate

### Notes to Consolidated Financial Statements

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#### Note 1. Nature of Activities and Significant Accounting Policies (Continued)

**Basis of presentation:** The Education Fund follows the accounting requirements of the Not-for-Profit Entities topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). Under the FASB ASC, the Education Fund is required to report information regarding its net assets and its activities according to two categories: 1) net assets without donor restrictions and 2) net assets with donor restrictions.

**Without donor restrictions:** Net assets without donor restrictions include those net assets whose use is not restricted by donors, even though their use may be limited in other respects, such as by board designation. However, the Education Fund has no board-designated net assets.

**With donor restrictions:** Net assets with donor restrictions include those net assets whose use is subject to donor-imposed restrictions. Donor restrictions may be for a specified time or purpose limitation or the donor may specify that the corpus of their original and certain subsequent gifts be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

**Use of estimates:** The preparation of the consolidated financial statements in conformity with generally accepted accounting principles in the United States of America (U.S. GAAP) requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

**Income taxes:** 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. 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.

**Cash and cash equivalents:** For financial statement purposes, the Education Fund considers demand deposits, including excess cash invested in overnight repurchase agreements and money market funds not held in the investment portfolio to be cash and cash equivalents.

**Investments:** Investments with readily determinable fair values are reflected at fair value. To adjust the carrying value of these investments, the change in fair value is charged or credited to net realized and unrealized gain on investments.

**Financial risk:** The Education Fund 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. federal 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 the Education Fund. However, the Education Fund has not experienced any losses in such accounts and management believes it is not exposed to any significant credit risk on its cash and cash equivalents.

The Education Fund invests in a professionally managed portfolio of marketable debt and equity securities. Such investments are exposed to market and credit risks and may be subject to 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 Education Fund and Affiliate

### Notes to Consolidated Financial Statements

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#### Note 1. Nature of Activities and Significant Accounting Policies (Continued)

**Receivables:** Receivables include contributions receivable (unconditional promises to give), which are expected to be collected over multiple years. Promises to give due in one year or less are recorded at net realizable value. Promises to give due in more than one year are recorded at the net present value of estimated future cash flows using a discount rate of 2.35% and 1.44% at June 30, 2021 and 2020, respectively.

Receivables are presented at the gross, or face, amount due to the Education Fund, less a discount to net present value and 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. Bad debt expense totaled \$0 and \$48,423 for the years ended June 30, 2021 and 2020, respectively.

**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 term of the office lease or the estimated useful life of the improvements.

**Valuation of long-lived assets:** Long-lived property, such as leasehold improvements, that suffers a permanent impairment will be written down to fair value, and an impairment loss equal to the difference between the property's carrying amount and fair value would be included as a reduction in the change in net assets without donor restrictions.

**Deferred revenue:** Deferred revenue consists of licensing fees related to the online interactive voter guide. The Education Fund and the LLC signed a licensure agreement, which licenses the online interactive voter guide to the Education Fund for use by the local Leagues. Through December 31, 2019, the LLC also licensed the online interactive voter guide to external third parties. The licensing fees are received in advance of the period in which they are earned and the revenue is recognized ratably over the period of service in accordance with the underlying agreements. The licensing fees have been included in publication sales and other income on the consolidated statements of activities.

**Amounts held on behalf of state and local Leagues:** The Education Fund receives and disburses cash on behalf of its affiliated state and local Leagues, which are non-controlled stand-alone entities that have been granted affiliation status. 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 rent and loss on sublease:** The Education Fund recognizes the minimum rents required under a lease as rent expense on a straight-line basis over the term of the lease. Differences between amounts recorded as expense and amounts actually paid are reported as deferred rent in the financial statements. Deferred rent also includes the unamortized balance of the landlord provided tenant improvement allowance. The Education Fund has also recorded a loss on sublease equal to the difference between the payments due under the old office lease less the payments expected to be received under the sublease.

**Revenue and support:** Revenue includes publication sales and other income because this is the line item that includes performance obligations under contracts with customers. Support includes contributions, in-kind contributions and contributions in lieu of per-member payments.

## League of Women Voters Education Fund and Affiliate

### Notes to Consolidated Financial Statements

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#### **Note 1. Nature of Activities and Significant Accounting Policies (Continued)**

Revenue from contracts with customers includes performance obligations that are satisfied either at a point in time or over time, and most contracts have initial terms of one year or less. The Education Fund performs an evaluation at contract inception focused on whether a performance obligation is satisfied over time or at a point in time. If a performance obligation meets certain specific criteria, the related revenue is recognized over time if the Education Fund is able to reasonably measure its progress toward complete satisfaction of the performance obligation using reliable information. Output methods and input methods are used to measure progress for goods and services for which control has been transferred to the customer. If the certain criteria are met, revenue is recognized at a point in time.

Prices are specific to a distinct performance obligation and contracts with customers do not have multiple performance obligations. Economic factors driven by consumer confidence, employment, inflation and other world events impact the timing and level of revenue recognized in the financial statements. Periods of economic downturn resulting from any of the above factors may result in declines in future cash flows and recognized revenue of the Education Fund or can have a positive impact on cash flows in favorable economic conditions.

**Contributions:** Contributions include bequests, grants and amounts received from members. Unconditional contributions are recognized when donors make promises to give or when gifts of cash or other assets are received that lack barriers and rights of return. Unconditional contributions are classified within activities without donor restrictions or within activities with donor restrictions depending upon the existence and/or nature of any donor restrictions. Net assets with donor restrictions are reclassified to net assets without donor restrictions when either the purpose restriction is satisfied, or the time restriction expires. Unconditional contributions with donor restrictions that is both received and released in the same period is classified as without donor restrictions in the consolidated statement of activities.

**In-kind contributions:** Contributed goods, such as donated advertising support, was recognized at the estimated fair value provided by the donor. The Education Fund's in-kind contributions, which related entirely to donated advertising, were included in the election services program expense and totaled \$821,895 and \$460,068 for the years ended June 30, 2021 and 2020, respectively.

**Publication sales and other income:** Publications and other income include license fees for the online voter guide and sales of publications. The revenue for licensing fees related to the online voter guide are recognized ratably over the period of service in accordance with the underlying agreements.

**Allocation of net investment return:** Net assets include various funds, several of which include an allocation of net investment return. The beginning of year net asset balance of each of the funds is the basis upon which the net investment return is allocated among the various funds.

**Functional allocation of expenses:** The costs of providing the various program and supporting activities have been summarized on a functional basis in the accompanying consolidated financial statements. Costs related to a specific functional activity are charged directly to that activity. However, other indirect costs are allocated among the program and supporting services benefited based on management's best estimates of employee time and effort. In particular, salaries and benefits along with other shared costs, such as occupancy and software and licensing, are allocated based on the proportional share of the salaries of each program or supporting function which benefited from the shared costs.

**Reclassifications:** Certain amounts relating to the prior year have been reclassified to conform to the current year presentation with no effect on the previously reported change in net assets.

## League of Women Voters Education Fund and Affiliate

### Notes to Consolidated Financial Statements

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#### Note 1. Nature of Activities and Significant Accounting Policies (Continued)

**Recent accounting pronouncements adopted:** FASB Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers*, requires that the Education Fund recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods and services to customers. ASU 2014-09 replaces most existing revenue recognition guidance in U.S. GAAP. The ASU also requires expanded disclosures relating to the nature, amount, timing and uncertainty of revenue and cash flows from contracts with customers. The Education Fund has adopted the standard for the year ended June 30, 2021, using the modified retrospective transition method. Publication sales and other income is the revenue line item affected by this standard. Based on management's review of its contracts, the timing of the amount of revenue recognized previously is consistent with how revenue is recognized under this new standard. Therefore, the adoption of this standard had no impact on the Education Fund's consolidated financial statements, but the standard does require additional disclosures.

FASB ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, clarifies the guidance for evaluating whether a transaction is reciprocal (i.e., an exchange transaction) or nonreciprocal (i.e., a contribution) and for distinguishing between conditional and unconditional contributions. The Education Fund adopted the standard for contributions received effective for the year ended June 30, 2020. The Education Fund adopted the standard for contributions made (awards, scholarships and grant expense) effective for the year ended June 30, 2021, using the modified prospective method. Based on the Education Fund's review of the contributions it makes, the timing and amount of expense recognized previously is consistent with how expense is recognized under the new standard. Therefore, the adoption of the new standard had no impact on the consolidated financial statements.

**Upcoming accounting pronouncements:** FASB ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, is intended to increase transparency of contributed nonfinancial assets for nonprofit entities through enhancements in presentation and disclosure requirements. Nonprofit entities will now be required to present contributed nonfinancial assets as a separate line item in the statements of activities, apart from contributions of cash and other financial contributions. Nonprofit entities will also be required to disclose various information related to contributed nonfinancial assets. The Education Fund anticipates adopting the new standard during the year ending June 30, 2022. The Education Fund is currently in the process of evaluating the impact of the new standard on the consolidated financial statements.

FASB ASU 2016-02, *Leases (Topic 842)*, supersedes the leasing guidance in Topic 840, Leases. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the statement of financial position for all leases with terms longer than 12 months. Leases will be classified as either finance or operating with classification affecting the pattern of expense recognition in the statements of activities. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. The Education Fund anticipates adopting the new standard as of July 1, 2022 (for the year ending June 30, 2023), and is currently evaluating the impact of the adoption of the new standard on the consolidated financial statements.

**Subsequent events:** Subsequent events have been evaluated through February 14, 2022, which is the date the consolidated financial statements were available to be issued.

## League of Women Voters Education Fund and Affiliate

### Notes to Consolidated Financial Statements

#### Note 2. Investments and Fair Value Measurements

In accordance with U.S. GAAP, the Education Fund uses the following prioritized input levels to measure fair value. 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 mutual funds, exchange traded funds (ETFs), and money market funds were determined using Level 1 inputs, which were based on quoted prices for identical assets in active markets. The fair values of certificates of deposit were determined using Level 2 inputs, which were valued by the financial institution based on interest rates and maturities. Management believes the fair values of investments to be a reasonable approximation of their exit price.

Cash and cash equivalents held in the investment portfolio is recorded at cost.

Investments consisted of the following at June 30, 2021:

	Level 1	Level 2	Level 3	Total
Investments at fair value:				
Mutual funds – equities:				
U.S. large cap	\$ 2,112,338	\$ -	\$ -	\$ 2,112,338
U.S. small/mid cap	844,183	-	-	844,183
Developed non-U.S.	1,416,019	-	-	1,416,019
Emerging markets	367,368	-	-	367,368
Real estate	13,598	-	-	13,598
Mutual funds – fixed income:				
Bonds	2,339,873	-	-	2,339,873
Exchange-traded	470,818	-	-	470,818
Money market funds	264,056	-	-	264,056
Certificates of deposit	-	300,000	-	300,000
Subtotal investments at fair value	<u>\$ 7,828,253</u>	<u>\$ 300,000</u>	<u>\$ -</u>	<u>8,128,253</u>
Cash and cash equivalents at cost				95,936
				<u>\$ 8,224,189</u>

## League of Women Voters Education Fund and Affiliate

### Notes to Consolidated Financial Statements

#### Note 2. Investments and Fair Value Measurements (Continued)

Investments consisted of the following at June 30, 2020:

	Level 1	Level 2	Level 3	Total
Investments at fair value:				
Mutual funds – equities:				
U.S. large cap	\$ 2,429,146	\$ -	\$ -	\$ 2,429,146
U.S. small/mid cap	328,745	-	-	328,745
Developed non-U.S.	802,520	-	-	802,520
Emerging markets	11,605	-	-	11,605
Real estate	193,603	-	-	193,603
Mutual funds – fixed income:				
Bonds	2,152,623	-	-	2,152,623
Exchange-traded	351,340	-	-	351,340
Money market funds	354,400	-	-	354,400
Certificates of deposit	-	200,000	-	200,000
Subtotal investments at fair value	<u>\$ 6,623,982</u>	<u>\$ 200,000</u>	<u>\$ -</u>	<u>6,823,982</u>
Cash and cash equivalents at cost				38,215
				<u>\$ 6,862,197</u>

Net investment return consisted of the following for the years ended June 30, 2021 and 2020:

	2021	2020
Without donor restrictions:		
Interest and dividends	\$ 180,380	\$ 200,009
Investment management fees	(34,430)	(22,006)
Net realized and unrealized gain on investments	851,597	72,996
Subtotal without donor restrictions	<u>997,547</u>	<u>250,999</u>
With donor restrictions:		
Interest and dividends	57,374	34,633
Investment management fees	(15,095)	(4,390)
Net realized and unrealized gain on investments	395,101	19,713
Subtotal with donor restrictions	<u>437,380</u>	<u>49,956</u>
	<u>\$ 1,434,927</u>	<u>\$ 300,955</u>

## League of Women Voters Education Fund and Affiliate

### Notes to Consolidated Financial Statements

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#### Note 3. Receivables

Receivables consisted of the following at June 30, 2021 and 2020:

	2021	2020
Contributions receivable	\$ 173,788	\$ 458,357
Sublease income	40,897	-
Publications and other income	39,000	27,842
	<u>253,685</u>	<u>486,199</u>
Less discount to net present value	(11,584)	(12,408)
Less allowance for doubtful accounts	-	(48,423)
	<u>\$ 242,101</u>	<u>\$ 425,368</u>

Contributions receivable (unconditional promises to give), included in receivables, are expected to be collected as follows at June 30, 2021 and 2020:

	2021	2020
Amounts due in less than one year	\$ 100,000	\$ 328,070
Amounts due in one to five years	73,788	130,287
	<u>173,788</u>	<u>458,357</u>
Less discount to net present value	(11,584)	(12,408)
Less allowance for doubtful accounts	-	(48,423)
	<u>\$ 162,204</u>	<u>\$ 397,526</u>

#### Note 4. Liquidity and Availability of Resources

The Education Fund 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, the Education Fund 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).

The Education Fund 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 Education Fund and Affiliate

### Notes to Consolidated Financial Statements

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#### Note 4. Liquidity and Availability of Resources (Continued)

The Education Fund 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.
- \* 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 the Education Fund.

The Education Fund operates on a biennial budget cycle, and the most recent biennial budget for the year ended June 30, 2021 through year ending 2022, was approved on June 27, 2020, at the 54th National Convention. The Board of Trustees meets several times each year to review the financial statements and to approve unbudgeted expenses.

Financial assets available for general expenditures within one year consisted of the following as of June 30, 2021 and 2020:

	2021	2020
Cash and cash equivalents	\$ 4,387,749	\$ 2,952,092
Investments	8,224,189	6,862,197
Receivables, net	242,101	425,368
Subtotal financial assets	12,854,039	10,239,657
Amounts not available for general expenditures within one year		
Amounts held on behalf of state and local Leagues	(569,573)	(550,343)
Net assets with donor restrictions	(2,067,061)	(2,464,335)
	<u>\$ 10,217,405</u>	<u>\$ 7,224,979</u>

#### Note 5. Property and Equipment

Property and equipment consisted of the following at June 30, 2021 and 2020:

	2021	2020
Furniture and equipment	\$ 341,074	\$ 341,074
Less accumulated depreciation and amortization	(254,308)	(191,794)
	<u>\$ 86,766</u>	<u>\$ 149,280</u>

## League of Women Voters Education Fund and Affiliate

### Notes to Consolidated Financial Statements

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#### Note 6. Related Party Transactions

League of Women Voters of the United States (LWVUS) was originally formed in 1920, and then incorporated in 1923 in accordance with the laws of the District of Columbia. LWVUS encourages informed and active participation in government, works to increase understanding of major public policy issues, and influences public policy through education and advocacy. LWVUS and the Education Fund share certain costs such as personnel and office space. The Education Fund has recorded an amount due to LWVUS totaling \$683,639 and \$39,061 at June 30, 2021 and 2020, respectively, which represent the net effect of inter-entity transactions.

At its September 2019 meeting, the Education Fund's Board of Trustees approved a motion to loan the LLC up to \$100,000 to cover any budgeted and approved operating expenses through the year ended June 30, 2020, should the LLC not have enough cash to cover its expenses. Therefore, the Education Fund loaned \$30,000 to the LLC during the year ended June 30, 2020. In relation to this loan, the LLC paid the Education Fund \$20,000 during the year ended June 30, 2021. The LLC owes the Education Fund \$10,000 and \$30,000 at June 30, 2021 and 2020, respectively.

#### Note 7. Net Assets With Donor Restrictions

Net assets with donor restrictions consisted of the following at June 30, 2021 and 2020:

	2021	2020
Endowment funds	\$ 1,191,556	\$ 789,255
Women power democracy	500,000	-
Leadership fund	147,873	113,703
Redistricting	85,000	300,000
Time restriction	62,204	762,586
Interns	59,108	65,092
DC Voting Rights	12,220	36,878
100th anniversary	9,100	9,100
Election work	-	180,000
Women power the vote	-	157,054
Vote 411	-	31,733
State infrastructure	-	13,697
Alamo	-	5,237
	<u>\$ 2,067,061</u>	<u>\$ 2,464,335</u>

## League of Women Voters Education Fund and Affiliate

### Notes to Consolidated Financial Statements

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#### Note 7. Net Assets With Donor Restrictions (Continued)

Net assets released from restrictions consisted of the following for the years ended June 30, 2021 and 2020:

	2021	2020
Time restriction	\$ 711,799	\$ 269,196
Redistricting	300,000	150,000
Election work	180,000	-
Women power the vote	172,054	17,946
DC Voting Rights	24,658	22,326
Vote 411	31,733	105,084
State infrastructure	13,697	61,303
Interns	5,984	4,908
Alamo	5,237	4,763
Leadership fund	909	1,245
Voter protection	-	8,102
Democracy	-	171,954
Voter contact	-	63,411
Other funds	-	262,500
	<u>\$ 1,446,071</u>	<u>\$ 1,142,738</u>

#### Note 8. 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 U.S. GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

**Interpretation of relevant law:** The Education Fund has interpreted the District of Columbia's *Uniform Prudent Management of Institutional Funds Act of 2007 (UPMIFA)* 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, the Education Fund 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 the Education Fund in a manner consistent with the standard of prudence prescribed by UPMIFA.

**Return objectives and risk parameters:** The Education Fund's 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. The Education Fund expects its endowment funds to exceed the average annual return of the specified market indices on a risk-adjusted basis over a three-year rolling time period and a full market cycle.

## League of Women Voters Education Fund and Affiliate

### Notes to Consolidated Financial Statements

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#### Note 8. Endowments (Continued)

**Strategies employed for achieving objectives:** To satisfy its long-term rate-of-return objectives, the Education Fund 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). The Education Fund 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:** The Education Fund 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, the Education Fund considered the long-term expected return on the endowments. This is consistent with the Education Fund's 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 \$35,079 and \$34,120 from the endowment funds was transferred to the leadership fund during the years ended June 30, 2021 and 2020, 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. Deficiencies typically result from unfavorable market fluctuations or continued appropriation. However, the endowment funds had no such deficiencies as of June 30, 2021 and 2020.

Endowments consisted of the following at June 30, 2021:

	Available to Spend	Held in Perpetuity	Total
Ruth S. Shur Leadership Institute fund	\$ 366,013	\$ 500,000	\$ 866,013
Nikki Harris Online Training fund	118,189	100,000	218,189
General Endowment fund	38,279	69,075	107,354
	<u>\$ 522,481</u>	<u>\$ 669,075</u>	<u>\$ 1,191,556</u>

Endowments consisted of the following at June 30, 2020:

	Available to Spend	Held in Perpetuity	Total
Ruth S. Shur Leadership Institute fund	\$ 75,244	\$ 500,000	\$ 575,244
Nikki Harris Online Training fund	44,936	100,000	144,936
General Endowment fund	-	69,075	69,075
	<u>\$ 120,180</u>	<u>\$ 669,075</u>	<u>\$ 789,255</u>

## League of Women Voters Education Fund and Affiliate

### Notes to Consolidated Financial Statements

#### Note 8. Endowments (Continued)

Changes in endowments consisted of the following for the year ended June 30, 2021:

	Available to Spend	Held in Perpetuity	Total
Endowments, July 1, 2020	\$ 120,180	\$ 669,075	\$ 789,255
Net investment return	437,380	-	437,380
Appropriations	(35,079)	-	(35,079)
Endowments, June 30, 2021	<u>\$ 522,481</u>	<u>\$ 669,075</u>	<u>\$ 1,191,556</u>

Changes in endowments consisted of the following for the year ended June 30, 2020:

	Available to Spend	Held in Perpetuity	Total
Endowments, July 1, 2019	\$ 104,344	\$ 669,075	\$ 773,419
Net investment return	49,956	-	49,956
Appropriations	(34,120)	-	(34,120)
Endowments, June 30, 2020	<u>\$ 120,180</u>	<u>\$ 669,075</u>	<u>\$ 789,255</u>

#### Note 9. Allocation of Joint Costs

The Education Fund conducts direct mail campaigns that have both a program services component and a fundraising component. As a result, the Education Fund incurred joint costs totaling \$159,774 and \$48,754 during the years ended June 30, 2021 and 2020, respectively.

Joint costs have been allocated between program services and fund raising as follows for the years ended June 30, 2021 and 2020:

	2021	2020
Communications	\$ 49,752	\$ 2,542
Fundraising	110,022	46,212
	<u>\$ 159,774</u>	<u>\$ 48,754</u>

## League of Women Voters Education Fund and Affiliate

### Notes to Consolidated Financial Statements

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#### Note 10. Commitments and Contingencies

**Operating leases:** LWVUS and the Education Fund are both named as lessees in the operating lease for the old office space at 1730 M Street, which expires September 2024. LWVUS and the Education Fund are jointly and severally liable under the terms of this office lease. 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, the landlord provided a build-out allowance as an incentive to lease the office space.

U.S. GAAP requires that the cost of the tenant improvements paid with the tenant improvement allowance be capitalized and depreciated or amortized as property and equipment. U.S. GAAP also requires that the tenant improvement allowance along with the scheduled rent increases resulting from the escalation of base rentals be recorded as a liability and amortized ratably so as to record rent expense on a straight-line basis over the term of the office lease. Therefore, the liability for deferred rent, including the unamortized lease incentive, totaled \$193,244 and \$208,122 at June 30, 2021 and 2020, respectively.

During August 2020, LWVUS and the Education Fund both signed an operating sublease related to the office space at 1730 M Street. The sublease term commences on November 1, 2020 and terminates September 30, 2024. The future expected rental receipts under the sublease will be less than the future rental payments due to the landlord under the old office lease. Thus, LWVUS and the Education Fund have both recorded a liability for the loss on the sublease, which is equal to the difference between the base rent due and the rental income expected. The Education Fund's portion of the liability for the loss on sublease has been included in deferred rent and loss on sublease in the accompanying consolidated statement of financial position and totaled \$323,484 at June 30, 2021.

Rent expense totaled \$262,300 and \$235,045 for the years ended June 30, 2021 and 2020, respectively. Sublease income totaled \$125,336 and \$0 for the years ended June 30, 2021 and 2020, respectively.

The net future minimum rental payments and sublease receipts are as follows:

Years ending June 30:	Rental Payments	Sublease Receipts	Net Amounts
2022	\$ 275,671	\$ (165,077)	\$ 110,594
2023	282,562	(187,552)	95,010
2024	289,626	(195,042)	94,584
2025	72,851	(49,555)	23,296
	<u>\$ 920,710</u>	<u>\$ (597,226)</u>	<u>\$ 323,484</u>

**COVID-19 pandemic:** On January 30, 2020, the World Health Organization declared the outbreak of the coronavirus (COVID-19) a "Public Health Emergency of International Concern" and, on March 11, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of COVID-19 include restrictions on travel, quarantines in certain areas and forced closures for certain types of public places and businesses. COVID-19 and actions taken to mitigate it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries, including the geographical area in which the Education Fund operates. It is unknown how long these conditions will last and what the complete financial affect will be to the Education Fund and it is reasonably possible that the Education Fund is vulnerable to the risk of a near-term severe impact.

**Independent Auditor's Report on the Supplementary Information**

Board of Trustees  
League of Women Voters Education Fund

We have audited the consolidated financial statements of League of Women Voters Education Fund and Affiliate (the Education Fund) as of and for the years ended June 30, 2021 and 2020, and have issued our report thereon, which contains an unmodified opinion on those consolidated financial statements. See page 1. Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information is presented for purposes of additional analysis rather than to present the financial position, changes in net assets and cash flows of the individual entities and 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 consolidating information has been subjected to the auditing procedures applied in the audits 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 consolidated financial statements as a whole.

***RSM US LLP***

Washington D.C.  
February 14, 2022

# League of Women Voters Education Fund and Affiliate

## Consolidating Statement of Financial Position June 30 2021

	Education Fund	LLC	Eliminations	Total
<b>Assets</b>				
Cash and cash equivalents	\$ 4,378,410	\$ 9,339	\$ -	\$ 4,387,749
Investments	8,224,189	-	-	8,224,189
Receivables, net	242,101	-	-	242,101
Note receivable from the LLC	10,000	-	(10,000)	-
Prepaid expense	61,691	-	-	61,691
Property and equipment, net	86,766	-	-	86,766
<b>Total assets</b>	<b>\$ 13,003,157</b>	<b>\$ 9,339</b>	<b>\$ (10,000)</b>	<b>\$ 13,002,496</b>
<b>Liabilities and Net Assets</b>				
Liabilities:				
Accounts payable and accrued expense	\$ 704,606	\$ 2,550	\$ -	\$ 707,156
Amount due to LWVUS	603,720	26,469	-	630,189
Deferred revenue	63,062	40,000	-	103,062
Amounts held on behalf of state and local leagues	569,573	-	-	569,573
Note payable to the Education Fund	-	10,000	(10,000)	-
Deferred rent and loss on sublease	516,728	-	-	516,728
<b>Total liabilities</b>	<b>2,457,689</b>	<b>79,019</b>	<b>(10,000)</b>	<b>2,526,708</b>
-				
Net assets (deficit):				
Without donor restrictions	8,478,407	(69,680)	-	8,408,727
With donor restrictions	2,067,061	-	-	2,067,061
<b>Total net assets</b>	<b>10,545,468</b>	<b>(69,680)</b>	<b>-</b>	<b>10,475,788</b>
<b>Total liabilities and net assets</b>	<b>\$ 13,003,157</b>	<b>\$ 9,339</b>	<b>\$ (10,000)</b>	<b>\$ 13,002,496</b>



# League of Women Voters Education Fund and Affiliate

## Consolidating Statement of Activities Year Ended June 30, 2021

	Education Fund	LLC	Eliminations	Total
Activities without donor restrictions:				
Revenue and support:				
Contributions	\$ 4,817,095	\$ -	\$ -	\$ 4,817,095
In-kind contributions	821,895	-	-	821,895
Publication sales and other income	197,625	108,175	(100,375)	205,425
Interest and dividends, net of fees	145,950	-	-	145,950
Sublease income	125,336	-	-	125,336
Contributions in lieu of per-member payments	91,467	-	-	91,467
Net assets released from restrictions	1,446,071	-	-	1,446,071
<b>Total revenue and support</b>	<b>7,645,439</b>	<b>108,175</b>	<b>(100,375)</b>	<b>7,653,239</b>
Expenses:				
Program services:				
Mission impact	3,179,699	80,374	(100,375)	3,159,698
Communications	787,480	-	-	787,480
Outcome and evaluation	693,063	-	-	693,063
Advocacy	480,060	-	-	480,060
Member services	256,191	-	-	256,191
Council and convention	2,625	-	-	2,625
<b>Total program services</b>	<b>5,399,118</b>	<b>80,374</b>	<b>(100,375)</b>	<b>5,379,117</b>
Supporting services:				
Fundraising	680,305	-	-	680,305
General and administrative	517,323	-	-	517,323
<b>Total supporting services</b>	<b>1,197,628</b>	<b>-</b>	<b>-</b>	<b>1,197,628</b>
<b>Total expenses</b>	<b>6,596,746</b>	<b>80,374</b>	<b>(100,375)</b>	<b>6,576,745</b>
<b>Change in net assets without donor restrictions before other items</b>	<b>1,048,693</b>	<b>27,801</b>	<b>-</b>	<b>1,076,494</b>
Net realized and unrealized gain on investments	851,597	-	-	851,597
Loss on sublease	(323,484)	-	-	(323,484)
<b>Change in net assets without donor restrictions</b>	<b>1,576,806</b>	<b>27,801</b>	<b>-</b>	<b>1,604,607</b>
Activities with donor restrictions:				
Contributions	611,417	-	-	611,417
Net investment return	437,380	-	-	437,380
Net assets released from restrictions	(1,446,071)	-	-	(1,446,071)
<b>Change in net assets with donor restrictions</b>	<b>(397,274)</b>	<b>-</b>	<b>-</b>	<b>(397,274)</b>
<b>Change in net assets</b>	<b>1,179,532</b>	<b>27,801</b>	<b>-</b>	<b>1,207,333</b>
Net assets (deficit):				
Beginning	9,365,936	(97,481)	-	9,268,455
Ending	\$ 10,545,468	\$ (69,680)	\$ -	\$ 10,475,788