FAIRVOTE

AUDITED FINANCIAL STATEMENTS

FOR THE YEARS ENDED

DECEMBER 31, 2013 and 2012

BADGER, SUMRALL & CO, CPAs, pc
VIENNA, VA

TABLE OF CONTENTS

BADGER
SUMRALL
& COMPANY
Certified Public Accountants

Independent Auditors Report

To the Board of Directors of
FairVote
Tacoma Park, MD

We have audited the accompanying financial statements of FairVote (a nonprofit organization), which comprise the statements of financial position as of December 31, 2013 and 2012, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

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

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant 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 financial position of FairVote as of December 31, 2013 and 2012, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Badger Sumrall & Co

Badger, Sumrall & Co.

Vienna, VA
August 8, 2014

FAIRVOTE

STATEMENTS OF FINANCIAL POSITION
December 31, 2013 and 2012

	2013	2012
ASSETS		
Current Assets		
Cash and cash equivalents	$ 155,908	$ 26,913
Unconditional promises to give	66,534	18,384
Security deposit	2,646	2,646
Total Current Assets	225,088	47,943
Furniture and Equipment, Net - Note 2	2,545	4,070
Total Assets	$ 227,633	$ 52,013
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	$ 54,900	$ 4,150
Accrued payroll liabilities	2,010	1,925
Rental deposits	1,430	1,430
Total Current Liabilities	58,340	7,505
Total Liabilities	58,340	7,505
Net Assets		
Unrestricted net assets	169,293	44,508
Total Net Assets(Deficit)	169,293	44,508
Total Liabilities and Net Assets	$ 227,633	$ 52,013

The notes to financial statements are
an integral part of this statement.

FAIRVOTE

STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2013

	2013		
	Unrestricted	Temporarily Restricted	Total
Public Support and Revenue			
Public support	$ 448,642	$ 390,000	$ 838,642
Program service revenue	-		-
Other income	10,853		10,853
Interest income	133		133
Net assets released from restrictions:			
Expiration of time restrictions	-	-	-
Satisfaction of program restrictions	152,232	(152,232)	-
Total support and revenue	611,860	237,768	849,628
Expenses			
Fair Representation	235,544		235,544
Fair Elections	359,129		359,129
Fair Access	80,124		80,124
Supporting Services			
Management and general	37,358		37,358
Fundraising	12,688		12,688
Total Expenses	724,843	-	724,843
Change in net assets	(112,983)	237,768	124,785
Net assets, beginning of year	44,508	-	44,508
Prior year adjustment	-		-
Net assets, end of year	$ (68,475)	$ 237,768	$ 169,293

The notes to financial statements are
an integral part of this statement.

FAIRVOTE

STATEMENTS OF ACTIVITIES
For the Year Ended December 31, 2012

	2012		
	Unrestricted	Temporarily Restricted	Total
Public Support and Revenue			
Public support	$ 320,325	$ -	$ 320,325
Program service revenue	25,300		25,300
Other income	15,553		15,553
Net assets released from restrictions:			
Expiration of time restrictions	-	-	-
Satisfaction of program restrictions	-	-	-
Total support and revenue	361,178	-	361,178
Expenses			
Fair Representation	126,614		126,614
Fair Elections	127,921		127,921
Fair Access	48,696		48,696
Supporting Services			
Management and general	32,517		32,517
Fundraising	13,522		13,522
Total Expenses	349,269	-	349,269
Change in net assets	11,909	-	11,909
Net assets, beginning of year	32,599	-	32,599
Prior year adjustment	-		-
Net assets, end of year	$ 44,508	$ -	$ 44,508

The notes to financial statements are
an integral part of this statement.

FAIRVOTE

STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2013

	PROGRAM SERVICES				SUPPORT SERVICES		
	Fair Representation	Fair Elections	Fair Access	Total	Management & General	Fundraising	TOTAL
Officer salaries	$ 30,600	$ 26,520	$ 5,440	$ 62,560	$ 1,360	$ 4,080	$ 68,000
Salaries	64,424	40,683	26,682	131,789	14,375	2,875	149,039
Employee benefits	14,458	9,130	5,988	29,576	1,440	288	31,304
Deferred & pension	956	604	396	1,955	-	-	1,955
Payroll taxes	10,092	6,373	4,180	20,645	2,252	450	23,347
Accounting fees	3,739	2,361	1,549	7,649	834	167	8,650
Supplies	5,873	3,708	2,519	12,100	1,301	260	13,661
Telephone	5,604	3,137	2,031	10,773	708	142	11,623
Postage	342	2,031	142	2,515	73	509	3,097
Occupancy	24,932	15,745	10,326	51,003	5,563	1,113	57,679
Printing	24,800	4,877	3,199	32,876	812	742	34,430
Travel	839	46,110	327	47,276	60	12	47,349
Conferences	5,500	30,705	2,157	38,363	964	193	39,519
Depreciation	665	420	276	1,361	105	59	1,525
Insurance	688	434	285	1,407	153	31	1,591
Bank fees	360	227	149	736	80	16	832
Consultants	37,964	25,421	14,186	77,571	7,146	1,726	86,443
Interns	3,116	267	48	3,431	8	2	3,441
Other taxes	296	187	123	606	66	13	685
Professional fees	17	11	7	35	4	1	40
Other expenses	279	176	115	570	52	10	633
Academic research	-	75,000		75,000			75,000
Grants	-	65,000	-	65,000			65,000
Total	$ 235,544	$ 359,129	$ 80,124	$ 674,797	$ 37,358	$ 12,688	$ 724,843

The notes to financial statements are an
intergral part of this statement.

FAIRVOTE

STATEMENT OF FUNCTIONAL EXPENSES
For the year ended December 31, 2012

	PROGRAM SERVICES				SUPPORT SERVICES		
	Fair Representation	Fair Elections	Fair Access	Total	Management & General	Fundraising	TOTAL
Officer salaries	$ 21,080	$ 37,400	$ 3,400	61,880	$ 1,360	$ 4,760	$ 68,000
Salaries	4,375	875		5,250	9,625	2,625	17,500
Employee benefits	3,336	5,062	806	9,204	1,381	920	11,505
Deferred comp.	592	898	61	1,551	326	163	2,040
Payroll taxes	2,183	3,312	226	5,721	1,205	602	7,528
Accounting fees				-	8,650		8,650
Supplies	2,624	2,429	755	5,808	443	260	6,511
Telephone	5,723	5,297	1,647	12,668	980	554	14,202
Postage	222	206	64	492	38	247	777
Occupancy	22,560	20,881	6,494	49,934	3,863	2,183	55,980
Printing	703	635	7,149	8,487	116	67	8,670
Travel	505	4,292	4,957	9,754	85	51	9,890
Conferences	3,137	6,687	1,879	11,703	529	311	12,543
Depreciation	706	653	203	1,563	121	68	1,752
Insurance	625	579	180	1,383	107	60	1,551
Bank fees	310	287	89	687	53	30	770
Consultants	57,932	38,428	20,785	117,145	2,927	620	120,692
Other taxes				-	628		628
Professional fees					80		80
	$ 126,614	$ 127,921	$ 48,696	$ 303,230	$ 32,517	$ 13,522	$ 349,269

The notes to financial statements are an
integral part of this statement.

FAIRVOTE

STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2013 and 2012

	2013	2012
Summary of net cash provided by (used in):		
Operating Activities		
Change in net assets	$ 124,785	$ 11,909
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	1,525	1,752
(Increase) Decrease in:		
Unconditional promises to give	(48,150)	(13,666)
Increase (Decrease) in:		
Accounts payable	50,750	(1,669)
Deferred compensation	-	(9,537)
Accrued payroll liabilities	85	(255)
Net Cash Provided (Used) by Operating Activities	128,995	(11,466)
Investing Activities		
Purchases of Equipment	-	(2,317)
Net Cash Provided (Used) by Investing Activities	-	(2,317)
Financing Activities		
Loan from officer	-	-
Net Cash Provided (Used) by Financing Activities	-	-
Net Decrease in Cash and Cash Equivalents	128,995	(13,783)
Cash and Cash Equivalents at Beginning of Year	26,913	40,696
Cash and Cash Equivalents at End of Year	$ 155,908	$ 26,913

The notes to financial statements are an
integral part of this statement.

FAIRVOTE
NOTES TO FINANCIAL STATEMENTS
December 31, 2013 and 2012

NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

FairVote is a 501 (c)(3) non-profit organization dedicated to fair elections where every vote counts and all voters are represented. As a catalyst for reform, the organization conducts research, analysis, education and advocacy to build understanding of and support for more democratic voting systems throughout the United States. FairVote promotes instant runoff voting and forms of proportional representation as alternatives to winner-take-all plurality elections.

The Organization's support comes primarily through donor contributions from individuals and foundations.

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

Basis of Presentation

Financial statement presentation follows the recommendation of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117. Under SFAS No. 117, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Revenues

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investment and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law.

Contributions

The Organization adopted Statement of Financial Accounting Standards (SFAS) No. 116, "Accounting for Contributions Received and Contributions Made". As such, contributions are recognized as revenue when they are received or unconditionally pledged.

Use of Accounting Estimates

The preparation of financial statements in conformity with U. S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. According, actual results could differ from those estimates.

Cash and Cash Equivalents

The Organization considers all highly liquid investments with maturity of three months or less when purchased to be cash equivalents.

Property and Equipment

Property and Equipment are capitalized at cost. It is the Organization's policy to capitalize expenditures for these items in excess of $500. Property and equipment are being depreciated over estimated useful lives of 3 to 7 years using the straight-line method.

Income Tax Status

The Organization is a not-for–profit organization that is exempt from federal and Maryland income taxes under Section 501 (C) (3) of the Internal Revenue Code.

NOTE 2- PROPERTY AND EQUIPMENT

At December 31, 2013 and 2012, cost and related accumulated depreciation of furniture and equipment consisted of the following:

	2013	2012
Furniture	$ 3,993	$ 3,993
Office Equipment	10,431	10,431
Total	14,424	14,424
Less: accumulated depreciation	11,879	10,354
Depreciable assets, net	$ 2,545	$ 4,070

NOTE 3 – FUNCTIONAL ALLOCATION OF EXPENSES

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

FAIRVOTE
NOTES TO FINANCIAL STATEMENTS
(Continued)
DECEMBER 31, 2013 and 2012

NOTE 4 – COMMITMENTS

During 2011, the Organization renewed its building lease. The new lease is a year to year lease renewable each December. The Organization renewed its lease in December of 2012 through June of 2013. Base rent at the lease inception is $4,684.12 and there is no annual increase in the base rent. At the end of the lease period, the Organization operates under a month to month agreement.

NOTE 5 – IN-KIND CONTRIBUTIONS

A substantial number of volunteers have donated significant amounts of time to the Organization's programs and supporting services. Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills, and would typically need to be purchased if not provided by donation, are recorded at fair market value in the period received. The amounts of contributed services cannot be valued consistently and, therefore, have not been recorded in the financial statements.

NOTE 6 – Subsequent Events

Subsequent events were examined through August 9, 2014.