



THE NATIONAL CAMPAIGN TO PREVENT
TEEN AND UNPLANNED PREGNANCY
d/b/a POWER TO DECIDE

Financial Statements

For the Year Ended December 31, 2017

(With Summarized Financial Information for the Year Ended December 31, 2016)



**and
Report Thereon**



**THE NATIONAL CAMPAIGN TO PREVENT
TEEN AND UNPLANNED PREGNANCY
d/b/a POWER TO DECIDE**

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For the Year Ended December 31, 2017**

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Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
The National Campaign to Prevent
Teen and Unplanned Pregnancy
d/b/a Power to Decide

We have audited the accompanying financial statements of The National Campaign to Prevent Teen and Unplanned Pregnancy, d/b/a Power to Decide (Power to Decide), which comprise the statement of financial position as of December 31, 2017, and the related statements of activities, functional expenses, and cash flows for the year 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 The National Campaign to Prevent Teen and Unplanned Pregnancy, d/b/a Power to Decide, as of December 31, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Continued

Report on Summarized Comparative Information

We have previously audited Power to Decide's 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 29, 2017. As discussed in Note 12, subsequent to the issuance of our report, management restated the 2016 financial statements to correct an error in recognizing donated goods and services revenue and expenses in accordance with accounting principles generally accepted in the United States of America. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016, is consistent, in all material respects, with the audited financial statements, as restated, from which it has been derived.

Raffa, P.C.

Raffa, P.C.

Washington, DC
March 28, 2018

**THE NATIONAL CAMPAIGN TO PREVENT
TEEN AND UNPLANNED PREGNANCY
d/b/a POWER TO DECIDE**

**STATEMENT OF FINANCIAL POSITION
December 31, 2017**

(With Summarized Financial Information as of December 31, 2016)

	2017	2016
ASSETS		
Cash and cash equivalents	\$ 5,321,992	\$ 6,829,894
Grants and contracts receivable	1,024,100	2,727,788
Contributions receivable	36,435	13,136
Accounts receivable	165,295	91,138
Prepaid expenses and deposits	218,787	67,987
Inventory	188,830	70,588
Investments	22,095,824	21,731,720
Property and equipment, net	413,888	296,947
TOTAL ASSETS	\$ 29,465,151	\$ 31,829,198
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 618,431	\$ 602,761
Accrued payroll and benefits	280,678	256,465
Grants payable	-	13,750
Obligations under capital leases	55,529	79,927
Deferred rent and lease incentive	661,554	282,098
TOTAL LIABILITIES	1,616,192	1,235,001
Net Assets		
Unrestricted	22,438,148	23,201,401
Temporarily restricted	5,410,811	7,392,796
TOTAL NET ASSETS	27,848,959	30,594,197
TOTAL LIABILITIES AND NET ASSETS	\$ 29,465,151	\$ 31,829,198

The accompanying notes are an integral part of these financial statements.

**THE NATIONAL CAMPAIGN TO PREVENT
TEEN AND UNPLANNED PREGNANCY
d/b/a POWER TO DECIDE**

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2017

(With Summarized Financial Information for the Year Ended December 31, 2016)

	Unrestricted	Temporarily Restricted	2017 Total	2016 Total
OPERATING REVENUE AND SUPPORT				
Grants and contracts	\$ 3,245,701	\$ 5,181,067	\$ 8,426,768	\$ 7,702,024
Contributions	341,073	-	341,073	445,749
Publications and materials	222,255	-	222,255	194,215
Donated goods and services	630,244	-	630,244	584,732
Other	2,772	-	2,772	46,710
Net assets released from restrictions:				
Satisfaction of purpose restrictions	5,893,052	(5,893,052)	-	-
Satisfaction of time restrictions	1,270,000	(1,270,000)	-	-
	11,605,097	(1,981,985)	9,623,112	8,973,430
OPERATING EXPENSES				
Program Services:				
Marketing and communications	6,575,484	-	6,575,484	5,879,982
Partnerships and special initiatives	1,562,850	-	1,562,850	1,796,427
Systems and practices	1,224,209	-	1,224,209	711,807
Public policy	758,311	-	758,311	696,126
Research	635,945	-	635,945	444,480
Health equity	542,802	-	542,802	481,228
Leadership and planning	393,751	-	393,751	460,560
	11,693,352	-	11,693,352	10,470,610
Supporting Services:				
General and administrative	1,177,951	-	1,177,951	557,125
Development and fundraising	600,442	-	600,442	630,088
	13,471,745	-	13,471,745	11,657,823
Change in net assets from operations	(1,866,648)	(1,981,985)	(3,848,633)	(2,684,393)
NONOPERATING ACTIVITIES				
Investment income, net	1,103,395	-	1,103,395	837,503
	1,103,395	-	1,103,395	837,503
CHANGE IN NET ASSETS	(763,253)	(1,981,985)	(2,745,238)	(1,846,890)
NET ASSETS, BEGINNING OF YEAR	23,201,401	7,392,796	30,594,197	32,441,087
NET ASSETS, END OF YEAR	\$ 22,438,148	\$ 5,410,811	\$ 27,848,959	\$ 30,594,197

The accompanying notes are an integral part of these financial statements.

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**STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2017
(With Summarized Financial Information for the Year Ended December 31, 2016)**

	Program Services							Supporting Services			2017 Total	2016 Total
	Marketing and Communications	Partnerships and Special Initiatives	Systems and Practices	Public Policy	Research	Health Equity	Leadership and Planning	Total Program Services	General and Administrative	Development and Fundraising		
Salaries and wages	\$ 1,147,853	\$ 187,177	\$ 381,920	\$ 284,792	\$ 200,578	\$ 67,516	\$ 194,928	\$ 2,464,764	\$ 619,949	\$ 297,363	\$ 3,382,076	\$ 3,172,037
Consultants and contract services	1,309,999	134,788	230,101	205,227	105,100	382,068	1,000	2,368,283	17,875	-	2,386,158	1,811,789
Fringe benefits	470,259	74,338	153,983	114,953	80,884	27,151	78,516	1,000,084	245,177	119,003	1,364,264	1,232,118
Survey and evaluation services	1,001,108	78,722	10,358	-	187,394	50	-	1,277,632	360	-	1,277,992	204,471
Grants	2,500	974,986	16,000	5,000	-	-	-	998,486	-	-	998,486	904,000
Website maintenance	819,206	3,829	50,302	12,604	4,493	1,705	8,812	900,951	30,773	12,674	944,398	868,623
Donated goods and services	483,953	-	-	-	-	-	-	483,953	146,291	-	630,244	584,732
Rent and storage	116,021	6,284	17,489	80,461	25,478	9,061	55,072	309,866	166,736	84,012	560,614	606,616
Advertising and marketing	507,653	8,000	1,197	-	-	-	-	516,850	5,146	-	521,996	944,166
Staff travel	94,081	33,770	132,943	4,628	101	8,337	13,773	287,633	63,507	41,071	392,211	274,630
Office supplies and miscellaneous	63,704	228	2,123	19,638	1,311	12,983	4,584	104,571	56,691	9,626	170,888	97,556
Conference and meeting expenses	52,445	1,247	56,147	2,041	2,842	3,726	4,411	122,859	21,857	1,843	146,559	172,626
Depreciation and amortization	116,455	291	6,760	3,820	1,351	500	2,613	131,790	8,954	3,847	144,591	158,118
Publications, copying and materials	126,881	101	5,133	636	211	86	452	133,500	4,976	662	139,138	307,861
Computer supplies and maintenance	44,784	1,225	3,738	15,647	5,255	1,974	10,909	83,532	36,488	17,437	137,457	79,938
Insurance	-	-	-	-	-	-	-	-	76,027	-	76,027	72,643
Accounting, audit and legal services	-	-	-	-	-	-	-	-	68,275	3,600	71,875	63,475
Postage and shipping	39,900	153	4,954	1,503	504	5,480	1,615	54,109	3,690	2,687	60,486	25,548
Telephone and fax	10,956	2,682	3,256	7,251	1,568	1,005	2,921	29,639	11,902	4,704	46,245	47,348
Board and advisory group meetings	-	-	3,872	110	-	-	14,145	18,127	-	1,913	20,040	29,528
Indirect cost recovery	167,726	55,029	143,933	-	18,875	21,160	-	406,723	(406,723)	-	-	-
TOTAL OPERATING EXPENSES	\$ 6,575,484	\$ 1,562,850	\$ 1,224,209	\$ 758,311	\$ 635,945	\$ 542,802	\$ 393,751	\$ 11,693,352	\$ 1,177,951	\$ 600,442	\$ 13,471,745	\$ 11,657,823

The accompanying notes are an integral part of these financial statements.

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**STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2017
(With Summarized Financial Information for the Year Ended December 31, 2016)
Increase (Decrease) in Cash and Cash Equivalents**

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (2,745,238)	\$ (1,846,890)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	144,591	158,118
Net realized and unrealized gain on investments	(610,356)	(355,984)
Changes in assets and liabilities:		
Grants and contracts receivable	1,703,688	3,930,706
Contributions receivable	(23,299)	23,864
Accounts receivable	(74,157)	(76,212)
Prepaid expenses and deposits	(150,800)	31,893
Inventory	(118,242)	25,099
Accounts payable and accrued expenses	15,670	116,546
Accrued payroll and benefits	24,213	(10,553)
Grants payable	(13,750)	(48,750)
Deferred rent and lease incentive liability	379,456	182,293
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	(1,468,224)	2,130,130
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	3,023,964	4,667,368
Purchases of investments	(2,836,352)	(3,975,271)
Purchases of property and equipment	(205,576)	(118,326)
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	(17,964)	573,771
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on capital leases	(21,714)	(21,284)
NET CASH USED IN FINANCING ACTIVITIES	(21,714)	(21,284)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,507,902)	2,682,617
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	6,829,894	4,147,277
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 5,321,992	\$ 6,829,894
SUPPLEMENTAL INFORMATION		
Cash paid for interest	\$ 1,446	\$ 1,035
NONCASH TRANSACTIONS		
Noncash investing activities:		
Property and equipment included in accounts payable and accrued expenses	\$ 52,587	\$ -
Equipment purchased under a capital lease	-	55,889
Obligation incurred under a capital lease	-	(55,889)
NET CASH OUTLAY	\$ -	\$ -

The accompanying notes are an integral part of these financial statements.

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**NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2017**

1. Organization and Summary of Significant Accounting Policies

Organization

The National Campaign to Prevent Teen and Unplanned Pregnancy, renamed Power to Decide as of December 2017 (Power to Decide), was founded in February 1996 as a nonprofit, nonpartisan organization. Its mission is to improve the lives and future prospects of children and families and to help ensure that children are born into stable, two-parent families who are committed to and ready for the demanding task of raising the next generation. Power to Decide's initial goal was to reduce the teen pregnancy rate by one-third between 1996 and 2005. In 2005, Power to Decide set a new challenge to reduce teen pregnancy by an additional one-third by 2015. In 2012, Power to Decide set a new challenge for 2020: a 20% reduction in the proportion of unplanned pregnancies among women under 30, and a 20% reduction in the teen pregnancy rate. In 2016, Power to Decide set new 2026 goals to reduce the rate of teen pregnancy by 50%, reduce the rate of unplanned pregnancy among women age 18-29 by 25%, and reduce the disparities that exist in teen pregnancy and unplanned pregnancy rates among racial/ethnic and socioeconomic groups by 50%.

High rates of teen and unplanned pregnancy burden not only teens and young adults, but also their children, families and communities, while imposing large costs on taxpayers. To reduce both teen pregnancy and unplanned pregnancy (especially among single, young adults), Power to Decide provides a national presence and leadership to raise awareness of the issue and to attract new voices and resources to the cause. It provides concrete assistance to those already working in the field. Power to Decide also tries to ease the many disagreements that have plagued both national and local efforts to address these problems.

In March 2011, Power to Decide established Bedsider, LLC, a single-member limited liability company, for the purpose of making a software application available in an online store. Bedsider, LLC will provide an additional outlet for making mission-related applications for Power to Decide, such as games or social media tools, available to the public by downloading them from an online store. There was no financial activity for Bedsider, LLC for the year ended December 31, 2017, except for certain annual corporation filing fees which are reported in the financial statements of Power to Decide.

Basis of Presentation

The financial statements of Power to Decide have been prepared on the accrual basis of accounting. Under accounting principles generally accepted in the United States of America (GAAP), Power to Decide is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted and permanently restricted. There were no permanently restricted net assets as of December 31, 2017.

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**NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2017**

1. Organization and Summary of Significant Accounting Policies (continued)

Cash and Cash Equivalents

Power to Decide considers all short-term, highly liquid investments with purchased maturities of three months or less to be cash equivalents. However, money market funds included in the investment portfolio are excluded from cash and cash equivalents.

Inventory

Inventory consists of published reports, monographs and paraphernalia to promote teen and unplanned pregnancy prevention projects, and other products to be used primarily in Power to Decide's programs. Inventory is stated at the lower of cost or market value and is calculated using the first-in, first-out method of accounting. Management periodically adjusts the value for slow-moving or obsolete inventory.

Receivables

Receivables are primarily from grants, cooperative awards and contracts from foundations, government agencies and corporate contributors. Power to Decide uses the allowance method to record potentially uncollectible accounts. Management believes that all receivables are fully collectible. Therefore, no allowance is deemed necessary.

Investments

Investments consist of mutual funds, exchange-traded funds and money market funds. These investments are recorded in the accompanying financial statements at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability through an orderly transaction between market participants at the measurement date. Realized gains or losses on sales of investments are recorded on the trade date of the transactions. Unrealized gains or losses on investments are determined by the change in fair value at the beginning and end of the reporting period. All such gains and losses, interest, and dividends are included in investment income in the statement of activities, net of investment management fees.

Property and Equipment and Accumulated Depreciation and Amortization

Property and equipment are stated at cost and are depreciated using the straight-line method over their estimated useful lives of three to 10 years, with no salvage value. Capital leased assets are stated at the net present value of future minimum lease payments and are amortized using the straight-line method over the life of the lease. Leasehold improvements are stated at cost and are amortized using the straight-line method over the remaining life of the lease. Power to Decide recognizes costs incurred in the development of its websites and mobile game applications in accordance with the provisions of the accounting standards for software costs. Accordingly, costs incurred for planning and operating the websites and applications are expensed, whereas costs incurred in developing the applications and infrastructure are capitalized and amortized on a straight-line basis over an estimated useful life of three years. Expenditures for major repairs and improvements are capitalized;

Continued

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**NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2017**

1. Organization and Summary of Significant Accounting Policies (continued)

Property and Equipment and Accumulated Depreciation and Amortization (continued)

expenditures for minor repairs and maintenance costs are expensed when incurred. When property and equipment or other assets are purchased with temporarily restricted award funds, the related net assets are released from restriction at the time Power to Decide incurs the expenditure related to the award.

Upon the retirement or disposal of assets, the cost and accumulated depreciation and amortization are eliminated from the respective accounts and the resulting gain or loss is included in revenue or expenses. For purposes of calculating the indirect cost rate, any gains resulting from the disposal of assets are recorded as a reduction to total indirect expenses.

Fair Value of Financial Instruments

Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 820, *Fair Value Measurement*, defines fair value and establishes a framework for measuring fair value for those assets and liabilities that are measured at fair value on a recurring basis. In accordance with the *Fair Value Measurement* Topic, Power to Decide has categorized its applicable financial instruments into a required fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). As of and for the year ended December 31, 2017, only Power to Decide's investments, as described in Note 3 to these financial statements, were measured at fair value on a recurring basis and are subject to the *Fair Value Measurement* Topic. The fair value for all of Power to Decide's investments is based upon quoted prices for identical assets in an active market that Power to Decide has the ability to access (Level 1).

Classification of Net Assets

Power to Decide's net assets are reported as follows:

- Unrestricted operating net assets represent the portion of expendable funds that are available to support Power to Decide's operations.
- Unrestricted board-designated net assets represent a reserve fund established with publications revenue, unrestricted contributions and contributions from Power to Decide's 10th anniversary event, which continues to earn dividend and interest income.
- Temporarily restricted net assets represent amounts specifically restricted by donors or grantors for various programs or future periods.

Revenue Recognition

Contributions and grants are reported as revenue in the year in which payments are received and/or unconditional promises are made. Power to Decide reports gifts of cash and other assets as temporarily restricted if they are received with donor stipulations that limit the use of

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**NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2017**

1. Organization and Summary of Significant Accounting Policies (continued)

Revenue Recognition (continued)

the donated asset. When a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the accompanying statement of activities as net assets released from restrictions. When donor-imposed restrictions on gifts of cash or other assets are met in the same reporting period in which the contribution is received, the contribution is reported as unrestricted support. Contributions of cash or other assets restricted to acquisition of long-lived assets are recorded as temporarily restricted contributions. Once the long-lived assets are acquired and if there are no donor restrictions on the long-lived assets' use, the donor restrictions are considered met and the temporarily restricted net assets are released and reclassified to unrestricted net assets.

Power to Decide receives cooperative grant awards and contracts from federal government agencies in exchange for services. Revenue from the grants and contracts is recognized as costs are incurred on the basis of direct costs plus allowable indirect costs. Revenue recognized on grants and contracts for which payments have not been received is reflected as grants and contracts receivable in the accompanying statement of financial position.

Contributions that are expected to be collected within one year are recorded at net realizable value. Contributions that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. As of December 31, 2017, no discount to present value was recorded due to the immateriality of the discount.

Donated Goods and Services

Donated goods and services represent the value of donated advertising, legal assistance, facilities and supplies. Donations are recorded based on their fair value at the date of donation and are included in the marketing and communications program expenses and in general and administrative expenses in the accompanying statement of activities.

Functional Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the accompanying statement of activities. Direct costs associated with specific programs are recorded as program services. Certain unallocated general and administrative expenses are allocated to specific programs based on a percentage of salaries.

Definition of Operations

Operating revenue and expenses generally reflect those revenues and expenses that arise from Power to Decide's activities and excludes net investment income (losses).

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**NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2017**

1. Organization and Summary of Significant Accounting Policies (continued)

Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates.

2. Grants and Contracts Receivable

As of December 31, 2017, receivables for grants, cooperative awards and contracts from foundations, government agencies and corporate contributors, to be used for particular programs and/or general support in the coming years, totaled \$1,024,100. All amounts were expected to be fully collectible in less than one year.

3. Investments

As of December 31, 2017, Power to Decide had valued all of its investments using quoted prices in active markets for identical assets (Level 1, as described in Note 1 to these financial statements). As of December 31, 2017, Power to Decide's investments consisted of the following:

	Cost	Fair Value
Fixed-income mutual funds:		
Intermediate-term bond funds	\$ 11,833,762	\$ 11,737,044
Nontraditional bond funds	2,072,347	2,015,552
World bond funds	1,590,309	1,448,782
Total Fixed-Income Mutual Funds	15,496,418	15,201,378
Fixed-income exchange-traded funds:		
Short-term bond funds	4,052,078	4,039,120
Equity exchange-traded funds:		
Large growth funds	492,372	661,196
Large value funds	482,095	643,130
Small blend funds	324,135	427,438
Foreign large blend funds	330,363	408,868
Mid-cap growth funds	273,975	347,909
Mid-cap value funds	222,920	289,524
Total Equity Exchange-Traded Funds	2,125,860	2,778,065
Money market funds	77,261	77,261
Total Investments	\$21,751,617	\$ 22,095,824

Continued

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**NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2017**

3. Investments (continued)

Investment returns are summarized as follows for the year ended December 31, 2017:

Interest and dividend income	\$ 551,745
Net realized loss	(7,119)
Net unrealized gain	617,475
Management fees	<u>(58,706)</u>
Investment Income, Net	<u>\$ 1,103,395</u>

4. Property and Equipment

Power to Decide held the following property and equipment as of December 31, 2017:

Website and application development costs	\$ 2,867,923
Leasehold improvements	485,285
Computer equipment	297,810
Furniture and equipment	198,054
Leased equipment	106,540
Work in process	<u>158,201</u>
Total Property and Equipment	4,113,813
Less: Accumulated Depreciation and Amortization	<u>(3,699,925)</u>
Property and Equipment, Net	<u>\$ 413,888</u>

Work in process as of December 31, 2017, includes costs related to the leasehold improvements which had not yet been completed. Depreciation and amortization expense was \$144,591 for the year ended December 31, 2017.

5. Loan and Line of Credit

On July 27, 2016, Power to Decide entered into a loan and line of credit agreement with a financial institution to borrow up to \$2,500,000 that expired on July 29, 2017, and was subsequently renewed through July 29, 2018. Amounts drawn on the agreement accrue interest based on the London Interbank Offered Rate (LIBOR) plus 2% and are required to be paid each month. The loan is secured by a pledge agreement which granted the financial institution a security interest in Power to Decide's investment account held at the financial institution, and required Power to Decide to comply with certain nonfinancial covenants. During the year ended December 31, 2017, Power to Decide had no borrowings and no repayments on the loan and line of credit; as of December 31, 2017, Power to Decide was in compliance with the covenants.

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**NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2017**

6. Commitments, Contingencies and Risks

Capital Leases

Power to Decide leases office equipment under leases that meet the criteria for capitalization. The leases expire in 2019 and 2021. The leased equipment is included in property and equipment at a cost of \$106,540, with accumulated amortization of \$54,289 as of December 31, 2017.

The future minimum lease payments required for these capital leases were as follows at December 31, 2017:

<u>For the Year Ending December 31,</u>	
2018	\$ 23,160
2019	19,297
2020	11,580
2021	<u>2,898</u>
Subtotal	56,935
Less: Amount Representing Interest	<u>(1,406)</u>
Present Value of Net Minimum Lease Payments	<u>\$ 55,529</u>

Office Leases

Power to Decide has a noncancelable operating lease which expires on May 31, 2023, for its main office located in Washington, D.C. The lease provides certain rent abatements to be applied against monthly rent payments during calendar years 2016 and 2017, as well as a tenant improvement allowance of \$424,490 that may be used either for the payment of costs incurred to cover certain construction and furniture and equipment costs related to the premises or as a credit against monthly rent obligations in calendar years 2018 and 2019. In each case, half of the total amount of the abatement and improvement allowance or credit individually will be applied during each year indicated. As of December 31, 2017, \$254,700 of the tenant improvement allowance had been used. The remaining balance of \$169,790 would be used towards abated rent in calendar years 2018 and 2019. The lease also contains a fixed escalation clause for increases in the annual minimum rent as well as Power to Decide's proportionate share of real estate taxes and operating and maintenance costs of the building.

Under GAAP, all lease incentives and fixed rent increases are recognized on a straight-line basis over the term of the lease. The difference between this expense and the required lease payments is reflected as deferred rent and lease incentive liability in the accompanying statement of financial position.

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**NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2017**

6. Commitments, Contingencies and Risks (continued)

Office Leases (continued)

Future minimum office rental payments under the lease agreement were as follows:

<u>For the Year Ending December 31,</u>	
2018	\$ 557,730
2019	573,796
2020	675,161
2021	692,040
2022	709,341
Thereafter	<u>301,066</u>
Total	<u>\$ 3,509,134</u>

Rent and storage expense was \$560,614 for the year ended December 31, 2017.

Concentration of Risk

During the year ended December 31, 2017, Power to Decide received \$4,014,672 in grants from two major grantors. The grants represented 42% of the total operating revenue and support recognized by Power to Decide for the year ended December 31, 2017. If a significant reduction in funding from these grantors was to occur, it might adversely impact Power to Decide's financial position and ability to carry out its program activities.

Power to Decide maintains its cash and cash equivalents with a commercial financial institution, which aggregate balance, at times, may exceed the Federal Deposit Insurance Corporation (FDIC) insured limit of \$250,000 per depositor per institution. As of December 31, 2017, Power to Decide had \$5,324,333 composed of demand deposits and money market funds, which exceeded the maximum insured by the FDIC by \$5,074,333. Power to Decide monitors the creditworthiness of this institution and has not experienced any credit losses on its cash and cash equivalents.

Office of Management and Budget Uniform Guidance

Power to Decide has instructed its independent auditors to audit its applicable federal programs for the year ended December 31, 2017, in compliance with Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the Uniform Guidance), issued by the U.S. Office of Management and Budget (OMB). Until such audit is reviewed and accepted by the contracting or granting agencies, there exists a contingent liability to refund any amounts received in excess of allowable costs. Management believes that any matters arising from the reviews by the federal or state agencies of the independent auditor's reports for the year ended December 31, 2017, will not have a material effect on Power to Decide's financial position as of December 31, 2017, or its results of operations for the year then ended.

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6. Commitments, Contingencies and Risks (continued)

Provisional Indirect Cost Rates

Billings under cost-reimbursable government cooperative awards, grants and contracts are calculated using provisional negotiated rates that permit recovery of indirect costs. These rates are subject to audit by the Division of Cost Allocation Services of the U.S. Department of Health and Human Services (HHS) six months after the expiration of the negotiated rate agreement. The audit results in the negotiation and determination of the final indirect cost rates, which may create a liability for indirect cost recovery for amounts billed in excess of the actual rates, or may allow for additional billings for unbilled indirect costs.

HHS audits costs related to U.S. government cooperative awards, grants and contracts in accordance with the Uniform Guidance, issued by OMB. The Division of Cost Allocation Services of HHS has yet to audit the costs and indirect cost rates for the year ended December 31, 2017. Management believes that cost disallowances, if any, arising from the Division of Cost Allocation of HHS's audits for 2017 will not have a material effect on Power to Decide's financial position as of December 31, 2017, or the results of operations for the year then ended.

7. Net Assets

Net assets consisted of the following as of December 31, 2017:

Unrestricted Net Assets

Undesignated – operating	\$ 20,354,072
Board-designated – reserve fund	<u>2,129,076</u>
Total Unrestricted Net Assets	<u>\$ 22,483,148</u>

The reserve fund balance is included in the investments in the accompanying statement of financial position and is invested in accordance with Power to Decide's investment policy.

Temporarily Restricted Net Assets

Temporarily restricted net assets were available with the following purpose or time restrictions as of December 31, 2017:

Programs:	
Marketing and Communications	\$ 3,558,054
Systems and Practices	<u>899,332</u>
Total Programs	4,457,386
Operations:	
Time-restricted as of December 31, 2017	<u>953,425</u>
Total Temporarily Restricted Net Assets	<u>\$ 5,410,811</u>

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For the Year Ended December 31, 2017**

7. Net Assets (continued)

Temporarily Restricted Net Assets (continued)

For the year ended December 31, 2017, net assets released from restrictions were as follows:

Programs:	
Marketing and Communications	\$ 4,686,654
Systems and Practices	918,482
Research	<u>287,916</u>
Total Programs	5,893,052
Passage of Time Restrictions	<u>1,270,000</u>
Total Temporarily Restricted Net Assets Released from Restrictions	<u>\$ 7,163,052</u>

8. Pension Plan

Power to Decide sponsors a defined-contribution pension plan pursuant to Section 403(b) of the Internal Revenue Code (the IRC), which covers eligible employees with a minimum of 12 months of service. Power to Decide contributes 6% of an eligible employee's compensation to this plan up to the maximum permitted by law, and employees are fully vested at the time of contribution. Power to Decide's contributions totaled \$180,055 for the year ended December 31, 2017.

Power to Decide also maintains a tax-deferred annuity retirement plan pursuant to Section 403(b) of the IRC, which is available to all eligible employees. Under the 403(b) plan, eligible employees may elect to contribute up to the federal tax limitation. Power to Decide does not contribute to this plan.

9. Income Taxes

Power to Decide is exempt from payment of taxes on income other than net unrelated business income under Section 501(c)(3) of the IRC. No provision for income taxes is required for the year ended December 31, 2017, as Power to Decide had no net unrelated business income.

Power to Decide performed an evaluation for uncertainty in income taxes for the year ended December 31, 2017, and determined that there were no matters that would require recognition in the financial statements or that may have any effect on its tax-exempt status. As of December 31, 2017, the statute of limitations for tax years 2014 through 2016 remains open for the U.S. federal jurisdiction and the District of Columbia, the jurisdictions in which Power to Decide files tax returns. It is Power to Decide's policy to recognize interest and/or penalties related to uncertainty in income taxes, if any, in income tax expense. As of December 31, 2017, Power to Decide had no accruals for interest and/or penalties.

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For the Year Ended December 31, 2017**

10. Donated Goods and Services

Power to Decide received donated internet and print advertising space reported at fair value and services for legal assistance valued at the equivalent rate charged to other clients. The fair value of these services and goods totaled \$483,953 and \$146,291, respectively, for the year ended December 31, 2017, and is included in donated goods and services expenses under the marketing and communications program and general and administrative services in the accompanying statement of functional expenses.

11. Prior Year Summarized Financial Information

The financial statements include certain prior year summarized comparative information in total, but not by net asset class or functional area. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with Power to Decide's financial statements for the year ended December 31, 2016, from which the summarized information was derived.

12. Prior Period Adjustment

Power to Decide received donated advertising totaling \$493,443 that was erroneously omitted from the total operating revenue and expenses for the year ended December 31, 2016. The 2016 summarized comparative financial information has been restated to increase both donated goods and services revenue and donated goods and services expenses by \$493,443. There was no net effect on the total change in net assets or total net assets for the year ended December 31, 2016, as previously reported.

13. Reclassifications

Certain balances in the 2016 summarized comparative information have been reclassified to conform to the 2017 presentation.

14. Subsequent Events

In preparing these financial statements, Power to Decide has evaluated events and transactions for potential recognition or disclosure through March 28, 2018, the date the financial statements were available to be issued. There were no subsequent events identified through March 28, 2018, that require recognition or disclosure in these financial statements.