LUCY BURNS
INSTITUTE
connecting people to politics

Financial Statements

The Lucy Burns Institute, Inc.

Year ended December 31, 2016

JANSEN VALK THOMPSON REAHM PC
Certified Public Accountants and Consultants

The Lucy Burns Institute, Inc.

Year ended December 31, 2016

Contents

JANSEN VALK THOMPSON REAHM PC
Certified Public Accountants and Consultants

Report of Independent Auditors

To the Board of Directors
The Lucy Burns Institute, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of The Lucy Burns Institute, Inc., which comprise the statement of financial position as of December 31, 2016, 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.

Auditors' 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 of 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 Institute'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 Institute'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 estimates made by management, as well as evaluating the overall financial statement presentation.

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

7171 Stadium Drive | Kalamazoo, Michigan 49009-4943 | ph (269) 381 7600 | fax (269) 381 7620 | www.jvtr.com

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Lucy Burns Institute, Inc. as of December 31, 2016, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Institute's 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 21, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2015 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Jansen Valk Thompson & Reahm PC

June 7, 2017

The Lucy Burns Institute, Inc.

Statement of Financial Position
(with Comparative Totals for 2015)

	December 31	
	2016	**2015**
Assets		
Cash	**$ 613,275**	$ 47,425
Prepaid expenses	**31,158**	1,750
Investments	**532,957**	1,749,593
Security deposits	**659**	2,234
Equipment	**16,903**	16,903
Less accumulated depreciation	**14,970**	13,589
Net equipment	**1,933**	3,314
Total assets	**$ 1,179,982**	$ 1,804,316
Liabilities		
Accounts payable	**$ 19,178**	$ 63,227
Accrued compensation and related liabilities	**66,713**	-
Accrued employee leasing costs	**-**	63,370
Total liabilities	**85,891**	126,597
Unrestricted net assets	**1,094,091**	1,677,719
Total liabilities and net assets	**$ 1,179,982**	$ 1,804,316

See accompanying notes to financial statements.

The Lucy Burns Institute, Inc.

Statement of Activities

(with Comparative Totals for 2015)

	Year ended December 31	
	2016	**2015**
Support and revenue:		
Direct public grants	**$ 419,601**	$ 472,781
Contributions	**3,399,885**	3,696,802
In-kind contributions	**479,628**	120,697
Advertising	**100,658**	-
Product sales	**9,450**	-
Investment earnings	**9,706**	9,452
Net loss on investments	**(2,309)**	(3,586)
Other	**10,400**	11,192
Total support and revenue	**4,427,019**	4,307,338
Expenses:		
Program services	**3,976,701**	2,911,956
Management and fund-raising	**1,033,946**	1,098,400
Total expenses	**5,010,647**	4,010,356
Change in net assets	**(583,628)**	296,982
Net assets, beginning of year	**1,677,719**	1,380,737
Net assets, end of year	**$ 1,094,091**	$ 1,677,719

See accompanying notes to financial statements.

The Lucy Burns Institute, Inc.

Statement of Functional Expenses
(with Comparative Totals for 2015)

	Year ended December 31			
	2016			2015
	Program Services	Management and Fundraising	Total	Total
Advertising	$ 480,446	$ 20,250	**$ 500,696**	$ 137,552
Contract services	119,538	94,932	**214,470**	196,174
Depreciation	1,195	186	**1,381**	2,734
Direct mailings	1,472	168,412	**169,884**	172,515
Employee benefits	144,328	28,274	**172,602**	9,239
Employee wages	1,125,333	249,424	**1,374,757**	-
Income taxes	23,030	-	**23,030**	-
Information technology	127,806	6,420	**134,226**	57,566
Insurance	12,081	1,061	**13,142**	6,139
Leased employee benefits	157,912	31,308	**189,220**	291,630
Leased employee expense	1,442,477	317,514	**1,759,991**	2,588,571
Leased employee service fee	23,099	5,390	**28,489**	62,166
Miscellaneous	9,360	785	**10,145**	5,424
Occupancy	7,738	1,119	**8,857**	24,727
Office expenses	28,139	33,377	**61,516**	98,131
Payroll service fee	33,096	3,762	**36,858**	-
Professional services	23,503	4,976	**28,479**	31,896
Staff development	28,884	13,784	**42,668**	64,873
Travel, conferences and meetings	187,264	52,972	**240,236**	261,019
Total	$ 3,976,701	$ 1,033,946	**$ 5,010,647**	$ 4,010,356

See accompanying notes to financial statements.

The Lucy Burns Institute, Inc.

Statement of Cash Flows
(with Comparative Totals for 2015)

	Year ended December 31	
	2016	**2015**
Operating activities		
Change in net assets	**$ (583,628)**	$ 296,982
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	**1,381**	2,734
Net realized and unrealized loss on investments	**2,309**	3,586
Loss on disposals of equipment	**-**	822
Changes in operating assets and liabilities:		
Prepaid expenses	**(29,408)**	489
Security deposits	**1,575**	(659)
Accounts payable	**(44,049)**	42,386
Accrued compensation and related liabilities	**66,713**	-
Accrued employee leasing costs	**(63,370)**	34,566
Total adjustments	**(64,849)**	83,924
Net cash provided by (used in) operating activities	**(648,477)**	380,906
Investing activities		
Purchases of investments	**(1,692,714)**	(3,416,279)
Proceeds from sales of investments	**2,907,041**	2,694,773
Proceeds from sales of equipment	**-**	200
Net cash provided by (used in) investing activities	**1,214,327**	(721,306)
Net increase (decrease) in cash	**565,850**	(340,400)
Cash, beginning of year	**47,425**	387,825
Cash, end of year	**$ 613,275**	$ 47,425

See accompanying notes to financial statements.

Note A—Summary of Accounting Policies

Description of Organization

The Lucy Burns Institute, Inc. (the "Institute") was formed under Chapter 171 of the Wisconsin Statutes, without stock and not-for-profit. The mission of the Institute is to help, through online media communications, to preserve and expand knowledge by building the Encyclopedia of America Politics. The encyclopedia covers federal, state and local government operations. The Institute's revenue sources predominately include grants from foundations. Approximately 76% of the Institute's support in 2016 and 81% in 2015 was provided by one organization. The Institute's major programs are as follows:

Create online articles to aggregate information about:

- state and local ballot measures
- U.S. Congress incumbents and candidates
- federal courts and judges
- energy, fracking, school reform, and other policy issues
- state legislators
- state executives
- state courts and judges
- school board elections
- city council elections
- influences, both individuals and organizations, in politics

Basis of Accounting

The accompanying financial statements are prepared using the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America.

Basis of Presentation

The Institute follows net accounting methods whereby revenues are classified for accounting and reporting purposes into one of three net asset classes as follows:

- Unrestricted net assets—net assets which are not subject to donor-imposed restrictions.

Note A—Summary of Accounting Policies (continued)

Basis of Presentation (continued)

- Temporarily restricted net assets—net assets subject to donor-imposed restrictions that may or will be met either by actions of the Institute, the passage of time, or both. The Institute has no temporarily restricted net assets.

- Permanently restricted net assets—net assets subject to donor-imposed restrictions that they be maintained permanently by the Institute. The Institute has no permanently restricted net assets.

Use of Estimates

Management uses estimates and assumptions in preparing the Institute's financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

Investments

Investments of the Institute are maintained with an outside investment management company. Investments are stated at their fair values. The fair values of corporate debt and U.S. government securities are based on quoted market prices in active markets for identical assets, and the fair values of money market funds are based on quoted net asset values of the shares held by the Institute at year-end, which is Level 1 of the fair value hierarchy established under the accounting standard for fair value measurements. Unrealized gains and losses are included in the change in net assets. Purchases and sales of securities are recorded on a trade-date basis. Interest is recorded on the accrual basis. Dividends are recorded on the ex-dividend date.

Equipment and Depreciation

Equipment, consisting of computers, furniture and fixtures, and website costs, is stated at cost if purchased, and donated equipment is stated at fair value assigned at the date of donation. Equipment and website costs are depreciated over their estimated useful lives of five years using the straight-line method.

Absent donor stipulations regarding how long donated equipment must be maintained, the Institute reports expiration of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor.

Note A—Summary of Accounting Policies (continued)

Revenue Recognition

Contributions are recognized as revenue when the donor makes a promise to give to the Institute that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the fiscal year in which the revenue is recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Functional Allocation of Expenses

The costs of providing the various programs 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. Although the methods of allocation used are considered reasonable, other methods could be used that would produce different amounts.

Income Tax Status

The Internal Revenue Service has determined that the Institute is exempt from income tax under Section 501(a) as an organization described in Section 501(c)(3) of the Internal Revenue Code. However, income from a certain activity not directly related to the Institute's tax-exempt purpose is subject to taxation as unrelated business income (UBI). In addition, the Institute qualifies as a charitable organization as described in Section 170(c) and has been classified under Section 170(b)(1)(A)(vi) as an organization that is not a private foundation.

Advertising revenues are deemed to be not directly related to the Institute's tax-exempt purpose.

Summarized Prior-Year Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Institute's financial statements for the year ended December 31, 2015 from which the summarized information was derived.

Note A—Summary of Accounting Policies (continued)

Subsequent Events

Subsequent events were evaluated through June 7, 2017, which is the date the financial statements were available to be issued.

Note B—Cash

The Institute maintains all of its cash balances in two financial institutions. The Institute's cash balances are insured by the Federal Deposit Insurance Corporation up to $250,000 per financial institution. Cash balances are at times in excess of the $250,000 insured limit.

Note C—Investments

Investments consist of:

	2016	2015
U.S. government securities	**$ 160,595**	$ —
Corporate debt securities	**350,010**	1,498,018
Money market fund	**22,352**	251,575
Total	**$ 532,957**	$ 1,749,593

Note D—Credit Arrangements

The Board of Directors of the Institute adopted a corporate borrowing resolution to allow the Institute to incur credit on a VISA credit card, up to a maximum of $30,000. An annual interest rate of 17.40% was in effect during 2016 and 16.90% in 2015. Cash paid for interest expense relating to the VISA credit card totaled $0 in 2016 and 2015.

Note E—In-Kind Contributions

Donated services are reflected in the financial statements as in-kind contributions at their estimated fair value on the date of receipt. These donated services are also included in the caption "Advertising" in the statement of functional expenses.

In-kind contributions of advertising totaled $479,628 in 2016 and $120,697 in 2015.

Note F—Advertising

Advertising costs are expensed as incurred. Advertising costs totaled $500,696 in 2016 and $137,552 in 2015.

Note G—Retirement Plan

Beginning in September 2016, the Institute provides a Section 401(k) defined contribution plan for all eligible employees. Participation in the plan is voluntary. The Institute may match employee contributions at a rate determined annually by the board. No matching contributions were made for the year ended December 31, 2016.