



EVERYTOWN FOR GUN SAFETY ACTION FUND

Financial Statements and Supplemental Schedule

December 31, 2016 and 2015

(With Independent Auditors' Report Thereon)

EVERYTOWN FOR GUN SAFETY ACTION FUND

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Independent Auditors' Report

The Board of Directors
Everytown for Gun Safety Action Fund:

We have audited the accompanying financial statements of Everytown for Gun Safety Action Fund, which comprise the statements of financial position as of December 31, 2016 and 2015, and the related statements of activities 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 U.S. generally accepted accounting principles; 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 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 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 auditors' 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 Everytown for Gun Safety Action Fund as of December 31, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended, in accordance with U.S. generally accepted accounting principles.



Other Matter

Our audits were conducted for the purpose of forming an opinion on the financial statements taken as a whole. The supplementary information included in the schedule of functional expenses is presented for purposes of additional analysis and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements taken as a whole.

KPMG LLP

August 16, 2017

EVERYTOWN FOR GUN SAFETY ACTION FUND

Statements of Financial Position

December 31, 2016 and 2015

Assets	2016	2015
Cash and cash equivalents (note 2)	\$ 2,460,227	2,710,176
Contributions receivable, net (note 3)	7,859,811	106,144
Due from Everytown for Gun Safety Support Fund, net (note 5)	175,988	1,098,159
Prepaid expenses and other assets	838,497	941,991
Fixed assets, net (note 4)	248,628	461,104
Total assets	<u>\$ 11,583,151</u>	<u>5,317,574</u>
Liabilities and Net Assets		
Liabilities – accounts payable and accrued expenses	\$ 1,011,525	1,858,641
Net assets:		
Unrestricted	2,711,815	3,352,789
Temporarily restricted – time restricted	7,859,811	106,144
Total net assets	<u>10,571,626</u>	<u>3,458,933</u>
Total liabilities and net assets	<u>\$ 11,583,151</u>	<u>5,317,574</u>

See accompanying notes to financial statements.

EVERYTOWN FOR GUN SAFETY ACTION FUND

Statements of Activities

Years ended December 31, 2016 and 2015

	2016			2015		
	Unrestricted	Temporarily restricted	Total	Unrestricted	Temporarily restricted	Total
Revenue:						
Contributions and grants (notes 3 and 5)	\$ 43,598,501	7,859,811	51,458,312	39,923,829	106,144	40,029,973
Other income	2,225,198	—	2,225,198	125,807	—	125,807
Net assets released from restrictions	106,144	(106,144)	—	—	—	—
Total revenue	<u>45,929,843</u>	<u>7,753,667</u>	<u>53,683,510</u>	<u>40,049,636</u>	<u>106,144</u>	<u>40,155,780</u>
Expenses:						
Program expenses:						
Public education, research, and advocacy	40,216,631	—	40,216,631	35,338,651	—	35,338,651
Supporting services:						
Management and general (note 5)	5,484,768	—	5,484,768	5,887,685	—	5,887,685
Fundraising	869,418	—	869,418	1,038,378	—	1,038,378
Total expenses	<u>46,570,817</u>	<u>—</u>	<u>46,570,817</u>	<u>42,264,714</u>	<u>—</u>	<u>42,264,714</u>
Change in net assets	(640,974)	7,753,667	7,112,693	(2,215,078)	106,144	(2,108,934)
Net assets at beginning of year	<u>3,352,789</u>	<u>106,144</u>	<u>3,458,933</u>	<u>5,567,867</u>	<u>—</u>	<u>5,567,867</u>
Net assets at end of year	<u>\$ 2,711,815</u>	<u>7,859,811</u>	<u>10,571,626</u>	<u>3,352,789</u>	<u>106,144</u>	<u>3,458,933</u>

See accompanying notes to financial statements.

EVERYTOWN FOR GUN SAFETY ACTION FUND

Statements of Cash Flows

Years ended December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities:		
Change in net assets	\$ 7,112,693	(2,108,934)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization expense	212,476	186,004
Changes in operating assets and liabilities:		
Contributions receivable	(7,753,667)	(106,144)
Due from Everytown for Gun Safety Support Fund	922,171	(211,529)
Prepaid expenses and other assets	103,494	(97,391)
Accounts payable and accrued expenses	<u>(847,116)</u>	<u>704,134</u>
Net cash used in operating activities	<u>(249,949)</u>	<u>(1,633,860)</u>
Cash flows from investing activities:		
Purchase of fixed assets	<u>—</u>	<u>(272,165)</u>
Net cash used in investing activities	<u>—</u>	<u>(272,165)</u>
Net decrease in cash and cash equivalents	(249,949)	(1,906,025)
Cash and cash equivalents, beginning of year	<u>2,710,176</u>	<u>4,616,201</u>
Cash and cash equivalents, end of year	<u>\$ 2,460,227</u>	<u>2,710,176</u>

See accompanying notes to financial statements.

EVERYTOWN FOR GUN SAFETY ACTION FUND

Notes to Financial Statements

December 31, 2016 and 2015

(1) Organization and Significant Accounting Policies

(a) Organization

Everytown for Gun Safety Action Fund (the Fund) was incorporated on April 9, 2007 to support the activities of mayors and others to combat illegal gun trafficking. The Fund supports efforts to educate policymakers, the press, and the public about the consequences of gun violence and to target activities that help ensure that guns stay out of the hands of criminals.

(b) Basis of Presentation

The Fund's financial statements are prepared on the accrual basis of accounting. The financial statements present balances and transactions according to the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Fund and changes therein are classified and reported as discussed below.

Unrestricted net assets are not restricted by donors or the donor-imposed restrictions have expired.

Temporarily restricted net assets contain donor-imposed restrictions that permit the Fund to use or expend the assets for particular purposes or in specific time periods. The restrictions are satisfied either by the passage of time or by actions of the Fund.

Permanently restricted net assets contain donor-imposed restrictions that stipulate that the principal be invested in perpetuity, but permit the Fund to use all or part of the income earned on these assets for either specified or unspecified purposes. As of December 31, 2016 and 2015, the Fund had no permanently restricted net assets.

Revenues are reported as increases in unrestricted net assets unless limited by explicit donor-imposed restrictions or by law. Expenses are reported as decreases in unrestricted net assets.

(c) Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

(d) Contributions and Grants

Contributions and grants, including unconditional promises to give, are recognized as revenue when they are received. Donor-restricted contributions whose restrictions are met in the same fiscal year are reported as unrestricted. All other donor-restricted support is reported as an increase to temporarily or permanently restricted net assets, depending on the nature of the restriction. When a donor restriction on net assets is met through the passage of time or fulfillment of a purpose restriction, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. Conditional contributions are recognized as revenue when the conditions on which they depend have been substantially met.

EVERYTOWN FOR GUN SAFETY ACTION FUND

Notes to Financial Statements

December 31, 2016 and 2015

Contributions receivable are reported at estimated fair value at the date of the gift. Fair value of contributions receivable is measured based on present value of future cash flows, with consideration of expectations about possible variations in the amount and/or timing of the cash flows and other specific factors that would be considered by market participants. The fair value measurements also include consideration of donors' credit risk.

(e) Income Tax Status

The Fund is a Section 501(c)(4) tax-exempt organization under Section 501(a) of the Internal Revenue Code (the Code). Accordingly, it is not subject to federal income tax. The Fund is also exempt from state and local income taxes. Contributions to the Fund are not deductible by donors under Section 170 of the Code. Income generated from activities unrelated to the Fund's exempt purpose is subject to tax under Internal Revenue Code Section 511. The Fund did not recognize any unrelated business income tax for the years ended December 31, 2016 and 2015. The Fund recognizes the effect of income tax positions only if those tax positions are more likely than not of being sustained.

(f) Fixed Assets

Fixed assets consist of website development costs, computer equipment, furniture, and leasehold improvements. Such fixed assets are recorded at cost, less accumulated depreciation and amortization. Website development costs, computer equipment, and furniture are depreciated and amortized on a straight-line basis over an estimated useful life of three to seven years. Leasehold improvements are depreciated on a straight-line basis over the life of the asset or lease term, whichever is shorter.

(g) Grant Awards

Grant awards, including multiyear grants and unconditional promises to give, are discounted to reflect the present value of future cash flows at a risk adjusted rate and are recognized as expenses in the period made. Grants are reported as an expense and liability in the period made or if conditional, when the Fund deems that the terms and conditions of the grant agreements have been substantially met.

(h) Cash and Cash Equivalents

The Fund considers all highly liquid instruments purchased with original maturities of three months or less to be cash equivalents.

(i) Fair Value Measurements

Accounting Standards Codification (ASC) 820, *Fair Value Measurement*, defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date and establishes a framework for measuring fair value. Fair value measurements are applied based on the unit of account from the reporting entity's perspective.

EVERYTOWN FOR GUN SAFETY ACTION FUND

Notes to Financial Statements

December 31, 2016 and 2015

ASC 820 establishes a three-level valuation hierarchy for the disclosure of fair value measurements. The valuation hierarchy is based on the transparency of inputs to the valuation of an asset or liability as of the measurement date. The highest priority is given to unadjusted quoted market prices in active markets for identical assets or liabilities (Level 1 inputs) and the lowest priority is given to measurements involving significant unobservable inputs (Level 3 inputs). The three levels are defined as follows:

Level 1 – Quoted prices (unadjusted) in active markets that are accessible at the measurement date for identical assets or liabilities.

Level 2 – Observable inputs that are based on inputs not quoted in active markets, but corroborated by market data.

Level 3 – Unobservable inputs are used when little or no market data is available.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. The Fund had no assets or liabilities that required disclosure in the fair value hierarchy at December 31, 2016 and 2015.

(2) Concentration of Credit Risk

Financial instruments that potentially subject the Fund to concentration of credit risk consist of cash and cash equivalents. The Fund places its cash and cash equivalents with high credit quality financial institutions; however, the cash and cash equivalent balances exceed federally insured limits at December 31, 2016 and 2015.

(3) Contributions Receivable, Net

Contributions receivable, net consists of the following unconditional promises to give at December 31, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Amounts expected to be collected:		
Due within one year	\$ 2,877,359	106,144
Due between one and five years	<u>5,275,000</u>	<u>—</u>
	8,152,359	106,144
Less discount to present value (at discount rates ranging between 3.70% and 3.97%)	<u>(292,548)</u>	<u>—</u>
	<u>\$ 7,859,811</u>	<u>106,144</u>

During the year ended December 31, 2016, the Fund received \$35,500,000 of contributions and grants revenue from two donors. During the year ended December 31, 2015, the Fund received \$27,266,500 of contributions and grants revenue from one donor. At December 31, 2016, contributions receivable were from three donors.

EVERYTOWN FOR GUN SAFETY ACTION FUND

Notes to Financial Statements

December 31, 2016 and 2015

(4) Fixed Assets

A summary of fixed assets at December 31, 2016 and 2015 is as follows:

	<u>2016</u>	<u>2015</u>
Website development costs	\$ 551,923	847,397
Computer equipment	21,666	96,449
Office furniture	74,492	74,492
Other	10,000	10,000
Leasehold improvements	<u>28,810</u>	<u>28,810</u>
	686,891	1,057,148
Accumulated depreciation and amortization	<u>(438,263)</u>	<u>(596,044)</u>
	<u>\$ 248,628</u>	<u>461,104</u>

(5) Related-Party Transactions

During the normal course of business, the Fund engages in transactions with an entity with which a member of its Board of Directors is affiliated. For the years ended December 31, 2016 and 2015, such transactions are included in contributions revenues and management and general expenses and amounted to approximately \$2,077,202 and \$2,436,258, respectively. The Fund's Board of Directors has a policy to require directors to disclose affiliations and to review and authorize such transactions, as appropriate.

The Fund is party to a cost sharing agreement with Everytown for Gun Safety Support Fund. The purpose of the cost sharing agreement is to minimize duplicative expenses and to carry out the organizations' missions in an economical and efficient manner, which includes sharing the employees whose skills and knowledge will assist both organizations, consistent with each organization's tax exempt purpose. At December 31, 2016 and 2015, such transactions due from the Everytown for Gun Safety Support Fund amount to \$175,988 and \$1,098,159, respectively.

(6) Lease

In 2014, the Fund entered into a lease agreement for office space in Washington, D.C. The terms of the lease for this location expire on August 31, 2021. Rental expense under this lease agreement was \$288,080 and \$263,221 in 2016 and 2015, respectively. Future annual minimum rental commitments are as follows:

2017	\$ 323,321
2018	331,404
2019	339,689
2020	348,182
2021	356,886

EVERYTOWN FOR GUN SAFETY ACTION FUND

Notes to Financial Statements

December 31, 2016 and 2015

(7) Subsequent Events

The Fund evaluated events and transactions occurring subsequent to the statement of financial position date of December 31, 2016 and through August 16, 2017, which is the date that the Fund's financial statements were available to be issued, for purposes of disclosure and recognition in the financial statements and determined no further disclosures are required.

EVERYTOWN FOR GUN SAFETY ACTION FUND

Supplemental Schedule of Functional Expenses

Year ended December 31, 2016

(with Summarized Financial Information for the year ended December 31, 2015)

	Public education, research, and advocacy	Management and general	Fundraising	2016 Total	2015 Total
Salaries and employee benefits:					
Salaries	\$ 6,996,683	458,846	162,075	7,617,604	7,935,844
Employee benefits and payroll taxes	1,965,412	251,275	50,251	2,266,938	2,266,484
	<u>8,962,095</u>	<u>710,121</u>	<u>212,326</u>	<u>9,884,542</u>	<u>10,202,328</u>
Other expenses:					
Advertising	1,438,363	—	—	1,438,363	6,882,955
Professional fees:					
Accounting and audit fees	—	2,112,902	—	2,112,902	2,470,258
Legislative consulting fees	2,531,412	—	—	2,531,412	2,461,717
Legal fees	107,010	1,360,425	—	1,467,435	1,814,518
Fundraising services	—	—	624,474	624,474	795,950
Other professional fees	3,573,614	595,982	—	4,169,596	5,500,795
Ballot committee contributions	16,327,378	—	—	16,327,378	1,724,574
Sponsorship expenses	—	—	—	—	1,580,250
Grants awarded	1,441,000	—	—	1,441,000	199,340
E-mail acquisitions	684,245	—	—	684,245	2,745,466
Travel and lodging	1,137,252	—	—	1,137,252	1,979,460
Polling and surveys	326,200	—	—	326,200	1,091,730
Political and election contributions	1,739,317	—	—	1,739,317	80,000
General office expenses	894,158	224,707	—	1,118,865	1,184,297
Rent and electricity	690,081	393,398	14,617	1,098,096	962,805
Conferences, conventions, meetings	121,294	—	—	121,294	222,431
Insurance	—	87,233	—	87,233	75,828
Depreciation and amortization	194,476	—	18,001	212,477	186,004
Other expenses	48,736	—	—	48,736	104,008
	<u>\$ 40,216,631</u>	<u>5,484,768</u>	<u>869,418</u>	<u>46,570,817</u>	<u>42,264,714</u>

See accompanying independent auditors' report.