



**EVERYTOWN FOR GUN SAFETY ACTION FUND**

Financial Statements and Supplemental Schedule

December 31, 2017 and 2016

(With Independent Auditors' Report Thereon)

## EVERYTOWN FOR GUN SAFETY ACTION FUND

### Table of Contents

	<b>Page(s)</b>
Independent Auditors' Report	1-2
Financial Statements:	
Statements of Financial Position as of December 31, 2017 and 2016	3
Statements of Activities for the years ended December 31, 2017 and 2016	4
Statements of Cash Flows for the years ended December 31, 2017 and 2016	5
Notes to Financial Statements	6-10
Supplemental Schedule of Functional Expenses for the year ended December 31, 2017	11



KPMG LLP  
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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, 2017 and 2016, 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, 2017 and 2016, 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 for the year ended December 31, 2017 is presented for purposes of additional analysis and is not a required part of the 2017 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 2017 financial statements as a whole.

*KPMG LLP*

September 26, 2018

**EVERYTOWN FOR GUN SAFETY ACTION FUND**

Statements of Financial Position

December 31, 2017 and 2016

<b>Assets</b>	<b>2017</b>	<b>2016</b>
Cash and cash equivalents (note 2)	\$ 9,982,665	2,460,227
Contributions receivable, net (note 3)	3,084,655	7,859,811
Due from Everytown for Gun Safety Support Fund (note 5)	1,783,268	175,988
Prepaid expenses and other assets	311,566	838,497
Fixed assets, net (note 4)	<u>104,836</u>	<u>248,628</u>
Total assets	<u>\$ 15,266,990</u>	<u>11,583,151</u>
<b>Liabilities and Net Assets</b>		
Liabilities – accounts payable and accrued expenses	\$ 1,447,078	1,011,525
Net assets:		
Unrestricted	10,735,257	2,711,815
Temporarily restricted – time restricted	<u>3,084,655</u>	<u>7,859,811</u>
Total net assets	<u>13,819,912</u>	<u>10,571,626</u>
Total liabilities and net assets	<u>\$ 15,266,990</u>	<u>11,583,151</u>

See accompanying notes to financial statements.

**EVERYTOWN FOR GUN SAFETY ACTION FUND**

Statements of Activities

Years ended December 31, 2017 and 2016

	2017			2016		
	Unrestricted	Temporarily restricted	Total	Unrestricted	Temporarily restricted	Total
Revenue and other income:						
Contributions and grants (notes 3 and 5)	\$ 35,778,934	506,743	36,285,677	43,598,501	7,859,811	51,458,312
Other income	220,056	—	220,056	2,225,198	—	2,225,198
Net assets released from restrictions	5,281,899	(5,281,899)	—	106,144	(106,144)	—
Total revenue and other income	<u>41,280,889</u>	<u>(4,775,156)</u>	<u>36,505,733</u>	<u>45,929,843</u>	<u>7,753,667</u>	<u>53,683,510</u>
Expenses:						
Program expenses:						
Public education, research, and advocacy	26,701,214	—	26,701,214	41,448,268	—	41,448,268
Supporting services:						
Management and general (note 5)	5,203,954	—	5,203,954	4,226,189	—	4,226,189
Fundraising	1,352,279	—	1,352,279	896,360	—	896,360
Total expenses	<u>33,257,447</u>	<u>—</u>	<u>33,257,447</u>	<u>46,570,817</u>	<u>—</u>	<u>46,570,817</u>
Change in net assets	8,023,442	(4,775,156)	3,248,286	(640,974)	7,753,667	7,112,693
Net assets at beginning 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>
Net assets at end of year	<u>\$ 10,735,257</u>	<u>3,084,655</u>	<u>13,819,912</u>	<u>2,711,815</u>	<u>7,859,811</u>	<u>10,571,626</u>

See accompanying notes to financial statements.

**EVERYTOWN FOR GUN SAFETY ACTION FUND**

Statements of Cash Flows

Years ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities:		
Change in net assets	\$ 3,248,286	7,112,693
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization expense	153,065	212,476
Changes in operating assets and liabilities:		
Contributions receivable	4,775,156	(7,753,667)
Due from Everytown for Gun Safety Support Fund	(1,607,280)	922,171
Prepaid expenses and other assets	526,931	103,494
Accounts payable and accrued expenses	435,553	(847,116)
Net cash provided by (used in) operating activities	<u>7,531,711</u>	<u>(249,949)</u>
Cash flows from investing activities:		
Purchase of fixed assets	<u>(9,273)</u>	<u>—</u>
Net cash used in investing activities	<u>(9,273)</u>	<u>—</u>
Net increase (decrease) in cash and cash equivalents	7,522,438	(249,949)
Cash and cash equivalents, beginning of year	<u>2,460,227</u>	<u>2,710,176</u>
Cash and cash equivalents, end of year	<u>\$ 9,982,665</u>	<u>2,460,227</u>

See accompanying notes to financial statements.

## EVERYTOWN FOR GUN SAFETY ACTION FUND

Notes to Financial Statements

December 31, 2017 and 2016

### (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, 2017 and 2016, 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, 2017 and 2016

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, 2017 and 2016. 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 which are discounted to reflect the present value of future cash flows at a risk adjusted rate, are recognized as expenses in the period made. Conditional grants made are recognized when the Fund deems 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) Topic 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, 2017 and 2016

ASC Topic 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, 2017 and 2016.

(j) **Reclassifications**

There were reclassifications made to certain 2016 amounts to conform with the current year presentation.

**(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, 2017 and 2016.

**(3) Contributions Receivable, Net**

Contributions receivable, net consists of the following unconditional promises to give at December 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Amounts expected to be collected:		
Due within one year	\$ 771,931	2,877,359
Due between one and five years	<u>2,500,000</u>	<u>5,275,000</u>
	3,271,931	8,152,359
 Less discount to present value (at discount rates ranging between 3.70% to 3.97%)	 <u>(187,276)</u>	 <u>(292,548)</u>
	<u>\$ 3,084,655</u>	<u>7,859,811</u>

## EVERYTOWN FOR GUN SAFETY ACTION FUND

Notes to Financial Statements

December 31, 2017 and 2016

During the year ended December 31, 2017, the Fund received \$20,000,000 of contributions and grants revenue from one donor. During the year ended December 31, 2016, the Fund received \$35,500,000 of contributions and grants revenue from two donors. At December 31, 2017 and 2016, 75% and 92% of the contributions receivable was from one donor, respectively.

### (4) Fixed Assets

A summary of fixed assets at December 31, 2017 and 2016 is as follows:

	<u>2017</u>	<u>2016</u>
Website development costs	\$ 551,923	551,923
Computer equipment	21,666	21,666
Furniture and other	93,765	84,492
Leasehold improvements	28,810	28,810
	<u>696,164</u>	<u>686,891</u>
Accumulated depreciation and amortization	<u>(591,328)</u>	<u>(438,263)</u>
	<u>\$ 104,836</u>	<u>248,628</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. The Fund's Board of Directors has a policy to require directors to disclose affiliations and to review and authorize such transactions, as appropriate. For the years ended December 31, 2017 and 2016, such transactions are included in contributions revenues and management and general expenses and amounted to approximately \$2,092,145 and \$2,077,202, respectively.

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, 2017 and 2016, such transactions due from the Everytown for Gun Safety Support Fund amount to \$1,783,268 and \$175,988, respectively.

**EVERYTOWN FOR GUN SAFETY ACTION FUND**

Notes to Financial Statements

December 31, 2017 and 2016

**(6) Lease**

In 2014, the Fund entered into a lease agreement for office space in Washington, D.C., expiring in 2021. On August 3, 2017, the Fund signed the Amendment of Lease to increase the space and extend the lease term through August 31, 2026. Future minimum rental payments are as follows:

2018	\$	296,875
2019		462,268
2020		483,261
2021		495,342
2022		507,726
2023-2026		<u>1,973,744</u>
Total	\$	<u><u>4,219,216</u></u>

Rental expense is recognized on a straight-line basis, in accordance with ASC Topic 840, *Accounting for Leases*. The excess of recognized expense over actual rent payments as well as landlord-provided improvements has been recorded as deferred rent credits, which is included in accounts payable and accrued expenses in the accompanying statements of financial position. Rental expense under this lease agreement was \$311,812 and \$288,080 in 2017 and 2016, respectively.

**(7) Subsequent Events**

The Fund evaluated events and transactions occurring subsequent to the statement of financial position date of December 31, 2017 and through September 26, 2018, 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, 2017

(with Summarized Financial Information for the year ended December 31, 2016)

	<b>Public education, research, and advocacy</b>	<b>Management and general</b>	<b>Fundraising</b>	<b>2017 Total</b>	<b>2016 Total</b>
Salaries and employee benefits:					
Salaries	\$ 8,114,011	495,551	164,286	8,773,848	7,617,604
Employee benefits and payroll taxes	2,464,430	130,143	50,860	2,645,433	2,266,938
	<u>10,578,441</u>	<u>625,694</u>	<u>215,146</u>	<u>11,419,281</u>	<u>9,884,542</u>
Other expenses:					
Advertising	1,279,143	14,581	21,102	1,314,826	1,438,363
Professional fees:					
Accounting and audit fees	—	2,135,345	—	2,135,345	2,112,902
Legislative consulting fees	3,403,333	—	—	3,403,333	2,531,412
Legal fees	1,261,619	220,461	56,249	1,538,329	1,467,435
Fundraising services	—	—	808,178	808,178	624,474
Other professional fees	2,417,505	675,594	32,811	3,125,910	4,169,596
Ballot committee contributions	2,368,021	—	—	2,368,021	16,327,378
Grants awarded	898,670	—	—	898,670	1,441,000
E-mail acquisitions	984,067	933	—	985,000	684,245
Travel and lodging	1,203,933	33,918	159,592	1,397,443	1,137,252
Polling and surveys	791,997	—	—	791,997	326,200
Political and election contributions	—	—	—	—	1,739,317
General office expenses	349,637	656,269	29,203	1,035,109	1,118,865
Rent and electricity	592,318	456,086	29,998	1,078,402	1,098,096
Conferences, conventions, and meetings	122,860	12,475	—	135,335	121,294
Insurance	—	130,535	—	130,535	87,233
Depreciation and amortization	—	153,065	—	153,065	212,477
Other expenses	449,670	88,998	—	538,668	48,736
	<u>\$ 26,701,214</u>	<u>5,203,954</u>	<u>1,352,279</u>	<u>33,257,447</u>	<u>46,570,817</u>

See accompanying independent auditors' report.