



EVERYTOWN FOR GUN SAFETY ACTION FUND

Financial Statements

December 31, 2018 and 2017

(With Independent Auditors' Report Thereon)

EVERYTOWN FOR GUN SAFETY ACTION FUND

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KPMG LLP
345 Park Avenue
New York, NY 10154-0102

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 (the Fund), which comprise the statements of financial position as of December 31, 2018 and 2017, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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, 2018 and 2017, 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.



Emphasis of Matter

As discussed in note 1(l) to the financial statements, the Fund adopted Accounting Standards Update No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, during the year ended December 31, 2018. Our opinion is not modified with respect to this matter.

KPMG LLP

July 23, 2019

EVERYTOWN FOR GUN SAFETY ACTION FUND

Statements of Financial Position

December 31, 2018 and 2017

Assets	2018	2017
Cash and cash equivalents (note 2)	\$ 9,332,346	9,982,665
Contributions receivable, net (note 3)	6,098,708	3,084,655
Due from Everytown for Gun Safety Support Fund (note 6)	423,063	1,783,268
Prepaid expenses and other assets	361,310	311,566
Fixed assets, net (note 4)	173,437	104,836
Total assets	<u>\$ 16,388,864</u>	<u>15,266,990</u>
Liabilities		
Liabilities – accounts payable and accrued expenses	\$ 1,199,109	1,447,078
Net Assets		
Net assets without donor restrictions	8,818,852	10,735,257
Net assets with donor restrictions (note 5)	6,370,903	3,084,655
Total net assets	<u>15,189,755</u>	<u>13,819,912</u>
Total liabilities and net assets	<u>\$ 16,388,864</u>	<u>15,266,990</u>

See accompanying notes to financial statements.

EVERYTOWN FOR GUN SAFETY ACTION FUND

Statements of Activities

Years ended December 31, 2018 and 2017

	2018			2017		
	Without donor restrictions	With donor restrictions	Total	Without donor restrictions	With donor restrictions	Total
Revenue and other income:						
Contributions and grants (notes 3 and 6)	\$ 64,374,576	4,060,984	68,435,560	35,778,934	506,743	36,285,677
Other income	1,956,427	—	1,956,427	220,056	—	220,056
Net assets released from restrictions	774,736	(774,736)	—	5,281,899	(5,281,899)	—
Total revenue and other income	<u>67,105,739</u>	<u>3,286,248</u>	<u>70,391,987</u>	<u>41,280,889</u>	<u>(4,775,156)</u>	<u>36,505,733</u>
Expenses:						
Program expenses:						
Public education, research, and advocacy	58,463,902	—	58,463,902	26,701,214	—	26,701,214
Supporting services:						
Management and general (note 6)	8,155,017	—	8,155,017	5,203,954	—	5,203,954
Fundraising	2,403,225	—	2,403,225	1,352,279	—	1,352,279
Total expenses	<u>69,022,144</u>	<u>—</u>	<u>69,022,144</u>	<u>33,257,447</u>	<u>—</u>	<u>33,257,447</u>
Change in net assets	(1,916,405)	3,286,248	1,369,843	8,023,442	(4,775,156)	3,248,286
Net assets at beginning 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>
Net assets at end of year	<u>\$ 8,818,852</u>	<u>6,370,903</u>	<u>15,189,755</u>	<u>10,735,257</u>	<u>3,084,655</u>	<u>13,819,912</u>

See accompanying notes to financial statements.

EVERYTOWN FOR GUN SAFETY ACTION FUND

Statement of Functional Expenses

Year ended December 31, 2018

	Public education, research, and advocacy	Management and general	Fundraising	2018 Total
Salaries and employee benefits:				
Salaries	\$ 9,321,725	697,814	294,377	10,313,916
Employee benefits and payroll taxes	<u>2,652,555</u>	<u>855,057</u>	<u>78,208</u>	<u>3,585,820</u>
	11,974,280	1,552,871	372,585	13,899,736
Other expenses:				
Political and election contributions	18,494,006	—	—	18,494,006
Advertising	8,229,473	17,445	—	8,246,918
Professional fees:				
Accounting and audit fees	—	3,500,459	—	3,500,459
Legislative consulting fees	4,031,294	691	—	4,031,985
Legal fees	1,836,756	255,599	72,966	2,165,321
Fundraising services	—	—	982,558	982,558
Other professional fees	4,815,689	806,060	80,414	5,702,163
Grants awarded	1,321,655	—	—	1,321,655
Email acquisitions	1,206,883	—	51,510	1,258,393
Travel and lodging	1,517,424	73,071	186,731	1,777,226
Polling and surveys	1,955,730	—	—	1,955,730
Office supplies, postage, and printing	1,178,881	70,021	453,847	1,702,749
Computer and other equipment	223,757	279,129	—	502,886
Rent and electricity	710,841	588,038	28,686	1,327,565
Conferences, conventions, and meetings	793,360	18,768	2,649	814,777
Insurance	20,182	134,904	—	155,086
Depreciation and amortization	—	69,390	—	69,390
Other expenses	<u>153,691</u>	<u>788,571</u>	<u>171,279</u>	<u>1,113,541</u>
	<u>\$ 58,463,902</u>	<u>8,155,017</u>	<u>2,403,225</u>	<u>69,022,144</u>

See accompanying notes to financial statements.

EVERYTOWN FOR GUN SAFETY ACTION FUND

Statement of Functional Expenses

Year ended December 31, 2017

	<u>Public education, research, and advocacy</u>	<u>Management and general</u>	<u>Fundraising</u>	<u>2017 Total</u>
Salaries and employee benefits:				
Salaries	\$ 8,114,011	495,551	164,286	8,773,848
Employee benefits and payroll taxes	<u>2,464,430</u>	<u>130,143</u>	<u>50,860</u>	<u>2,645,433</u>
	10,578,441	625,694	215,146	11,419,281
Other expenses:				
Advertising	1,279,143	14,581	21,102	1,314,826
Professional fees:				
Accounting and audit fees	—	2,135,345	—	2,135,345
Legislative consulting fees	3,403,333	—	—	3,403,333
Legal fees	1,261,619	220,461	56,249	1,538,329
Fundraising services	—	—	808,178	808,178
Other professional fees	2,417,505	675,594	32,811	3,125,910
Ballot committee contributions	2,368,021	—	—	2,368,021
Grants awarded	898,670	—	—	898,670
E-mail acquisitions	984,067	933	—	985,000
Travel and lodging	1,203,933	33,918	159,592	1,397,443
Polling and surveys	791,997	—	—	791,997
Office supplies, postage, and printing	109,760	207,177	24,094	341,031
Computer and other equipment	148,435	123,911	69	272,415
Rent and electricity	592,318	456,086	29,998	1,078,402
Conferences, conventions, and meetings	122,860	12,475	—	135,335
Insurance	—	130,535	—	130,535
Depreciation and amortization	—	153,065	—	153,065
Other expenses	<u>541,112</u>	<u>414,179</u>	<u>5,040</u>	<u>960,331</u>
	<u>\$ 26,701,214</u>	<u>5,203,954</u>	<u>1,352,279</u>	<u>33,257,447</u>

See accompanying notes to financial statements.

EVERYTOWN FOR GUN SAFETY ACTION FUND

Statements of Cash Flows

Years ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities:		
Change in net assets	\$ 1,369,843	3,248,286
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation and amortization expense	69,390	153,065
Changes in operating assets and liabilities:		
Contributions receivable	(3,014,053)	4,775,156
Due from Everytown for Gun Safety Support Fund	1,360,205	(1,607,280)
Prepaid expenses and other assets	(49,744)	526,931
Accounts payable and accrued expenses	<u>(247,969)</u>	<u>435,553</u>
Net cash (used in) provided by operating activities	<u>(512,328)</u>	<u>7,531,711</u>
Cash flows from investing activity:		
Purchase of fixed assets	<u>(137,991)</u>	<u>(9,273)</u>
Net cash used in investing activity	<u>(137,991)</u>	<u>(9,273)</u>
Net (decrease) increase in cash and cash equivalents	(650,319)	7,522,438
Cash and cash equivalents, beginning of year	<u>9,982,665</u>	<u>2,460,227</u>
Cash and cash equivalents, end of year	\$ <u><u>9,332,346</u></u>	<u><u>9,982,665</u></u>

See accompanying notes to financial statements.

EVERYTOWN FOR GUN SAFETY ACTION FUND

Notes to Financial Statements

December 31, 2018 and 2017

(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.

Net assets without donor restrictions are not restricted by donors or the donor-imposed restrictions have expired.

Net assets with donor restrictions contain donor-imposed restrictions that permit the Fund to use or expend the assets for particular purposes or in specific time periods and donor restricted endowments. As of December 31, 2018 or 2017, the Fund had no donor restricted endowment funds.

Revenues are reported as increases in net assets without donor restrictions unless limited by explicit donor-imposed restrictions or by law. Expenses are reported as decreases in net assets without donor restrictions.

(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 net assets without donor restrictions. All other donor-restricted support is reported as an increase to net assets with donor restrictions, 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, net assets with donor restrictions are reclassified to net assets without donor restrictions 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, 2018 and 2017

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, 2018 and 2017. 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 that 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, 2018 and 2017

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, 2018 or 2017.

(j) Functional Allocation of Expenses

The Fund allocates expenses on a functional basis among its various program and supporting services. Expenses that can be identified with a specific program or supporting service are reported accordingly. Expenses that benefit multiple functional areas are allocated based on proportional basis or time and effort.

(k) Reclassifications

There were reclassifications made to certain 2017 amounts to conform with the current year presentation.

(l) New Accounting Pronouncement

During 2018, the Fund adopted Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. ASU No. 2016-14 reduces the number of net assets from three to two: net assets without donor restrictions, previously reported as unrestricted net assets, and net assets with donor restrictions, previously reported as temporarily restricted net assets and permanently restricted net assets. The guidance expands the quantitative and qualitative disclosures regarding liquidity and availability of resources and requires expenses to be reported by both their natural and functional classification in one location. The Fund applied the changes retrospectively.

(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, 2018 and 2017.

EVERYTOWN FOR GUN SAFETY ACTION FUND

Notes to Financial Statements

December 31, 2018 and 2017

(3) Contributions Receivable, Net

Contributions receivable, net consists of the following unconditional promises to give at December 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Amounts expected to be collected:		
Due within one year	\$ 3,500,000	771,931
Due between one and five years	<u>3,000,000</u>	<u>2,500,000</u>
	6,500,000	3,271,931
Less discount to present value (at a discount rate of 4.93%)	<u>(401,292)</u>	<u>(187,276)</u>
	<u>\$ 6,098,708</u>	<u>3,084,655</u>

During the year ended December 31, 2018, the Fund received \$32,680,000 of contributions and grants revenue from one donor. During the year ended December 31, 2017, the Fund received \$20,000,000 of contributions and grants revenue from two donors. At December 31, 2018 and 2017, 100% and 75% of contributions receivable were from one donor, respectively.

(4) Fixed Assets

A summary of fixed assets at December 31, 2018 and 2017 is as follows:

	<u>2018</u>	<u>2017</u>
Website development costs	\$ 551,923	551,923
Computer equipment	21,666	21,666
Furniture and other	93,765	93,765
Leasehold improvements	<u>166,801</u>	<u>28,810</u>
	834,155	696,164
Accumulated depreciation and amortization	<u>(660,718)</u>	<u>(591,328)</u>
	<u>\$ 173,437</u>	<u>104,836</u>

EVERYTOWN FOR GUN SAFETY ACTION FUND

Notes to Financial Statements

December 31, 2018 and 2017

(5) Net Assets with Donor Restrictions

Net assets with donor restrictions at December 31, 2018 and 2017 are available for specific purposes and/or are time restricted as follows:

	<u>2018</u>	<u>2017</u>
Purpose restrictions:		
Electoral work	\$ 272,195	—
Time restrictions	<u>6,098,708</u>	<u>3,084,655</u>
Total	<u>\$ 6,370,903</u>	<u>3,084,655</u>

(6) 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, 2018 and 2017, such transactions are included in contribution revenues and management and general expenses and amounted to approximately \$3,446,759 and \$2,092,145, 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, 2018 and 2017, such transactions due from the Everytown for Gun Safety Support Fund amount to \$423,063 and \$1,783,268, respectively.

(7) Lease

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

2019	\$ 436,320
2020	480,902
2021	495,342
2022	507,726
2023	520,419
2024–2026	<u>1,453,325</u>
Total	<u>\$ 3,894,034</u>

EVERYTOWN FOR GUN SAFETY ACTION FUND

Notes to Financial Statements

December 31, 2018 and 2017

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 \$480,845 and \$311,812 in 2018 and 2017, respectively.

(8) Liquidity and Availability of Financial Assets

The following reflects the Organization's financial assets as of December 31, 2018 reduced by amounts not available for general use within one year of the statement of financial position date. These financial assets available for general expenditure within one year of the statement of financial position date includes the following:

	<u>2018</u>
Financial assets:	
Cash and cash equivalents	\$ 9,332,346
Contributions receivable, due within one year	3,500,000
Due from Everytown for Gun Safety Support Fund	423,063
Other assets, due within one year	<u>1,382</u>
Total financial assets available within one year	<u>13,256,791</u>
Less those unavailable for general expenditure within one year, due to:	
Restricted by donor	<u>(247,195)</u>
Total amounts unavailable within one year	<u>(247,195)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 13,009,596</u>

(9) Subsequent Events

The Fund evaluated events and transactions occurring subsequent to the statement of financial position date of December 31, 2018 and through July 23, 2019, 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.