

**FINANCIAL STATEMENTS**

**PROGRESSIVE MULTIPLIER ACTION FUND**

**FOR THE YEAR ENDED JUNE 30, 2019**

**PROGRESSIVE MULTIPLIER ACTION FUND**

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**CPAs & ADVISORS**

## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors  
Progressive Multiplier Action Fund  
Washington, D.C.

We have audited the accompanying financial statements of the Progressive Multiplier Action Fund (PMAF), which comprise the statement of financial position as of June 30, 2019, and the related statements of activities and change in net assets, 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.

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MEMBER OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS' PRIVATE COMPANIES PRACTICE SECTION

## Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of PMAF as of June 30, 2019, and the change 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.

*Gelman Rosenberg & Freedman*

April 6, 2020

## PROGRESSIVE MULTIPLIER ACTION FUND

STATEMENT OF FINANCIAL POSITION  
AS OF JUNE 30, 2019

## ASSETS

## CURRENT ASSETS

Cash and cash equivalents	\$ 688,078
Due from related parties	<u>1,027</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 689,105</u></b>

## LIABILITIES AND NET ASSETS

## CURRENT LIABILITIES

Accounts payable and accrued liabilities	\$ 24,218
Due to related parties	<u>45,826</u>
Total liabilities	<u>70,044</u>

## NET ASSETS

Without donor restrictions	166,061
With donor restrictions	<u>453,000</u>
Total net assets	<u>619,061</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 689,105</u></b>

## PROGRESSIVE MULTIPLIER ACTION FUND

STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS  
FOR THE YEAR ENDED JUNE 30, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>SUPPORT AND REVENUE</b>			
Grants	\$ 400,000	\$ 500,000	\$ 900,000
Interest	4,634	-	4,634
Net assets released from donor restrictions	<u>47,000</u>	<u>(47,000)</u>	<u>-</u>
Total support and revenue	<u>451,634</u>	<u>453,000</u>	<u>904,634</u>
<b>EXPENSES</b>			
Program Services	<u>127,515</u>	<u>-</u>	<u>127,515</u>
Supporting Services:			
Management and General	85,600	-	85,600
Fundraising	<u>72,458</u>	<u>-</u>	<u>72,458</u>
Total supporting services	<u>158,058</u>	<u>-</u>	<u>158,058</u>
Total expenses	<u>285,573</u>	<u>-</u>	<u>285,573</u>
Change in net assets	166,061	453,000	619,061
Net assets at beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
<b>NET ASSETS AT END OF YEAR</b>	<b><u>\$ 166,061</u></b>	<b><u>\$ 453,000</u></b>	<b><u>\$ 619,061</u></b>

## PROGRESSIVE MULTIPLIER ACTION FUND

STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2019

	Program Expenses	Supporting Services		Total Expenses
		Management and General	Fundraising	
Admin fee expense	\$ -	\$ 36,000	\$ -	\$ 36,000
Advertising	-	919	-	919
Bank service charges	75	126	140	341
Consulting and accounting	15,581	16,815	27,942	60,338
Dues and subscriptions	2,394	2,772	6,016	11,182
Interest expense	-	2,572	-	2,572
Legal services	-	5,262	-	5,262
Management fee	10,527	3,530	14,056	28,113
Meals and entertainment	-	400	558	958
Office expenses	387	473	525	1,385
Recoverable grant expense	28,000	-	-	28,000
Rent	2,116	1,653	2,622	6,391
Test and innovation grant expense	63,000	-	-	63,000
Travel	-	357	6,577	6,934
Wages and salaries	5,435	14,721	14,022	34,178
<b>TOTAL</b>	<b>\$ 127,515</b>	<b>\$ 85,600</b>	<b>\$ 72,458</b>	<b>\$ 285,573</b>

See accompanying notes to financial statements.

## PROGRESSIVE MULTIPLIER ACTION FUND

STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2019**CASH FLOWS FROM OPERATING ACTIVITIES**

Change in net assets	\$ 619,061
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Increase in:	
Due from related parties	(1,027)
Increase in:	
Accounts payable and accrued liabilities	24,218
Due to related parties	<u>45,826</u>
Net cash provided by operating activities	<u>688,078</u>
Net increase in cash and cash equivalents	688,078
Cash and cash equivalents at beginning of year	<u>-</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b><u>\$ 688,078</u></b>



## PROGRESSIVE MULTIPLIER ACTION FUND

### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

#### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

##### Organization -

The Progressive Multiplier Action Fund (PMAF) is a non-profit organization, incorporated and located in the District of Columbia. The PMAF supports charitable organizations to do effective community outreach and revenue generation. The PMAF possesses a superior understanding of small-donor fundraising, membership recruitment and retention, and member benefit programs and specializes in risk management and providing funding for such programs.

##### Basis of presentation -

The accompanying financial statements are presented on the accrual basis of accounting, and in accordance with the Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. As such, net assets are reported within two net asset classifications: without donor restrictions and with donor restrictions. Descriptions of the two net asset categories are as follows:

- **Net Assets Without Donor Restrictions** - Net assets available for use in general operations and not subject to donor restrictions are recorded as "net assets without donor restrictions". Assets restricted solely through the actions of the Board are referred to as Board designated and are also reported as net assets without donor restrictions.
- **Net Assets With Donor Restrictions** - Contributions restricted by donors are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in "net assets with donor restrictions", depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statement of Activities and Change in Net Assets as net assets released from donor restrictions. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue without donor restrictions when the assets are placed in service.

##### Cash and cash equivalents -

PMAF considers all cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents. Bank deposit accounts are insured by the Federal Deposit Insurance Corporation ("FDIC") up to a limit of \$250,000. At times during the year, PMAF maintains cash balances in excess of the FDIC insurance limits. Management believes the risk in these situations to be minimal.

##### Receivables -

Receivables are recorded at their net realizable value, which approximates fair value. Management considers all amounts to be fully collectible. Accordingly, an allowance for doubtful accounts has not been established.

##### Income taxes -

PMAF is exempt from Federal income taxes under Section 501(c)(4) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made in the accompanying financial statements.

## PROGRESSIVE MULTIPLIER ACTION FUND

### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

#### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION (Continued)

##### Uncertain tax positions -

For the year ended June 30, 2019, PMAF has documented its consideration of FASB ASC 740-10, *Income Taxes*, that provides guidance for reporting uncertainty in income taxes and has determined that no material uncertain tax positions qualify for either recognition or disclosure in the financial statements.

##### Contributions and grants -

Contributions and grants are recorded as revenue in the year notification is received from the donor. Contributions and grants with donor restrictions are recognized as "without donor restrictions" only to the extent of actual expenses incurred in compliance with the donor-imposed restrictions and satisfaction of time restrictions; such funds in excess of expenses incurred are shown as net assets with donor restrictions in the accompanying financial statements. Contributions and grants received in advance of incurring the related expenses are recorded as "net assets with donor restrictions".

##### Use of estimates -

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

##### Functional allocation of expenses -

The costs of providing the various programs and other activities have been summarized on a functional basis in the Statement of Activities and Change in Net Assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses directly attributed to a specific functional area of PMAF are reported as direct expenses to the programmatic area and those expenses that benefit more than one function are allocated on a basis of estimated time and effort.

##### New accounting pronouncement not yet adopted -

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606) (ASU 2014-09). The ASU establishes a comprehensive revenue recognition standard for virtually all industries under generally accepted accounting principles in the United States (U.S. GAAP) including those that previously followed industry-specific guidance. The guidance states that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The FASB issued ASU 2015-14 in August 2015 that deferred the effective date of ASU 2014-09 by a year; thus, the effective date is years beginning after December 15, 2018. Early adoption is permitted. PMAF has not yet selected a transition method and is currently evaluating the effect that the updated standard will have on its consolidated financial statements.

In June 2018, the FASB issued ASU 2018-08, Not-for-Profit Entities (Topic 958): *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*, which is intended to clarify and improve current guidance about whether a transfer of assets is an exchange transaction or a contribution.

**PROGRESSIVE MULTIPLIER ACTION FUND**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION  
(Continued)**

New accounting pronouncement not yet adopted (continued) -

The amendments in this ASU provide a more robust framework to determine when a transaction should be accounted for as a contribution under Subtopic 958-605 or as an exchange transaction accounted for under other guidance (for example, Topic 606). The amendments also provide additional guidance about how to determine whether a contribution is conditional or unconditional. The amendments in this ASU could result in more grants and contracts being accounted for as contributions than under previous GAAP. The ASU recommends application on a modified prospective basis; however, retrospective application is permitted. PMAF has not yet decided on a transition method. The ASU is effective for fiscal years beginning after December 15, 2018.

FASB issued ASU 2019-01, *Leases* (Topic 842). The ASU changes the accounting treatment for operating leases by recognizing a lease asset and lease liability at the present value of the lease payments in the Statement of Financial Position and disclosing key information about leasing arrangements. The ASU is effective for non public entities beginning after December 15, 2020. Early adoption is permitted. The ASU can be applied at the beginning of the earliest period presented using a modified retrospective approach or applied at the beginning of the period of adoption recognizing a cumulative-effect adjustment.

PMAF plans to adopt the new ASUs at the respective required implementation dates.

**2. NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions consist of the following at June 30, 2019:

<b>Subject to Expenditure for Specified Purpose:</b>	
<b>Civic Participation and Social Justice</b>	<b>\$ <u>453,000</u></b>

The following net assets with donor restrictions were released from donor restrictions by incurring expenses (or through the passage of time) which satisfied the restricted purposes specified by the donors:

<b>Purpose Restrictions Accomplished:</b>	
<b>Civic Participation and Social Justice</b>	<b>\$ <u>47,000</u></b>

**3. LIQUIDITY AND AVAILABILITY**

Financial assets available for use for general expenditures within one year of the Statement of Financial Position date comprise the following:

Cash and cash equivalents	\$ 688,078
Due from related parties	<u>1,027</u>
Subtotal financial assets available within one year	689,105
Less: Donor restricted funds	<u>(453,000)</u>
<b>FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS FOR GENERAL EXPENDITURES WITHIN ONE YEAR</b>	<b>\$ <u>236,105</u></b>

## PROGRESSIVE MULTIPLIER ACTION FUND

### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

#### 3. LIQUIDITY AND AVAILABILITY (Continued)

The PMAF has a policy to structure its financial assets to be available and liquid as its obligations become due. As of June 30, 2019, PMAF has financial assets equal to approximately ten months of operating expenses.

#### 4. RELATED PARTY

PMAF engages in an intercompany management services agreement effective as of January 16, 2019 with Progressive Power Lab LLC (PPL). PPL is engaged to provide certain management and administrative services such as HR, office space, IT, accounting, insurance, legal and tax services. PMAF agrees to bear and to pay its allocable share of the costs incurred by PPL equal to the sum of direct costs plus overhead costs.

Direct costs include all internal and external costs incurred by PMAF including salaries and wages related expenses and reimbursable out-of-pocket third-party costs and expenses. Overhead costs include all general overhead and facilities charges (office rent, depreciation, maintenance, utilities and supplies). As of June 30, 2019, PMAF was owed \$1,027 from PPL. PPL does not have a board of directors and there is therefore no board overlap with PMAF.

PMAF also engages in a resource sharing and expense reimbursement agreement with the Progressive Multiplier Fund (PMF). Each party is responsible for purchasing its own goods and services for its programs separately. Should either party incur a direct expense on behalf of the other (reimbursing party), the other party shall pay for all direct expenses incurred by the reimbursing party on their behalf. In the event where goods and services are to be shared between the parties, expenses shall be allocated on a percentage basis determined on a year-to-year basis. Both entities have the same board of directors but PMAF does not derive any of PMF's revenue. Therefore, there is control but no economic interest and consolidation is not required. As of June 30, 2019, PMAF owed PMF a total of \$45,826.

#### 5. SUBSEQUENT EVENTS

In preparing these financial statements, PMAF has evaluated events and transactions for potential recognition or disclosure through April 6, 2020, the date the financial statements were issued.