

OVERSEAS VOTE FOUNDATION, INC.

AUDITED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

OVERSEAS VOTE FOUNDATION, INC.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of
Overseas Vote Foundation, Inc.
Arlington, Virginia

I have audited the accompanying statements of financial position of Overseas Vote Foundation, Inc. (a nonprofit organization) (the "Organization") as of December 31, 2011 and 2010, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosure in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material aspects, the financial position of Overseas Vote Foundation, Inc. as of December 31, 2011 and 2010 and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

A handwritten signature in black ink, appearing to read "D. Wyant, CPA". The signature is stylized with a large, looping initial "D" and a cursive "Wyant".

March 31, 2012

OVERSEAS VOTE FOUNDATION, INC.
STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2011 & 2010

	<u>2011</u>	<u>2010</u>
ASSETS		
CURRENT ASSETS		
Cash	\$ 106,615	\$ 90,325
Accounts receivable	26,600	72,606
Contributions Receivable	4,000	-
Advances	-	2,500
Deposits	22,040	-
Prepaid assets	<u>1,027</u>	<u>311</u>
Total Current Assets	<u>160,282</u>	<u>165,742</u>
FURNITURE AND EQUIPMENT		
Furniture & equipment	3,026	3,026
Less: Accumulated depreciation	<u>(2,166)</u>	<u>(1,561)</u>
Total Furniture and Equipment	<u>860</u>	<u>1,465</u>
TOTAL ASSETS	<u>\$ 161,142</u>	<u>\$ 167,207</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 28,184	\$ 5,170
Due to directors	1,048	15,463
Accrued expenses	<u>24,450</u>	<u>9,408</u>
Total Current Liabilities	<u>53,682</u>	<u>30,041</u>
NET ASSETS		
Unrestricted net assets	80,530	80,440
Temporarily restricted net assets	<u>26,930</u>	<u>56,726</u>
Total Net Assets	<u>107,460</u>	<u>137,166</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 161,142</u>	<u>\$ 167,207</u>

See accompanying notes and accountant's independent auditor's report.

OVERSEAS VOTE FOUNDATION, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2011
with comparative summarized information for the year ended December 31, 2010

	<u>December 31, 2011</u>		<u>December 31, 2010</u>	
	Unrestricted	Temporarily Restricted	Total	Total
SUPPORT AND REVENUE				
Contributed support	\$ 76,650	\$ -	\$ 76,650	\$ 228,660
Gifts in-kind	61,893	-	61,893	71,580
Donated professional services	52,000	-	52,000	73,109
Earned revenues	309,260	-	309,260	164,458
Net assets released from restrictions	<u>29,796</u>	<u>(29,796)</u>	<u>-</u>	<u>-</u>
Total support and revenues	529,599	(29,796)	499,803	537,807
 EXPENSES				
Program A - Election Official Directory	6,789	-	6,789	10,505
Program B - Hosted Systems	255,209	-	255,209	138,143
Program C - Express Your Vote	239	-	239	32,283
Program D - Midterm Mobilization	14,558	-	14,558	46,643
Program E - FWAB	-	-	-	6,912
Program F - Overseas Voter Network	22,948	-	22,948	80,200
Program G - Overseas Citizens Count	131,083	-	131,083	16,939
Program H - EASE Grants	12,488	-	12,488	-
Program I - U.S. Vote	17,132	-	17,132	-
Fundraising	4,637	-	4,637	6,411
UOCAVA Summit	38,234	-	38,234	58,198
Depreciation	605	-	605	605
Management and administrative	<u>25,587</u>	<u>-</u>	<u>25,587</u>	<u>29,498</u>
Total Expenses	529,509	-	529,509	426,337
 CHANGE IN NET ASSETS	90	(29,796)	(29,706)	111,470
 NET ASSETS, BEGINNING OF YEAR	<u>80,440</u>	<u>56,726</u>	<u>137,166</u>	<u>25,696</u>
 NET ASSETS, END OF YEAR	<u>\$80,530</u>	<u>\$ 26,930</u>	<u>\$ 107,460</u>	<u>\$ 137,166</u>

See accompanying notes and accountant's independent auditor's report.

OVERSEAS VOTE FOUNDATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2011

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries	\$ 65,896	\$ 900	\$ 900	\$ 67,696
Payroll taxes and benefits	6,190	69	69	6,328
Grants to other organizations	-	250	-	250
Contract expense	115,838	-	-	115,838
Website programming	136,951	625	1,900	139,476
Hosting-website	9,771	906	-	10,677
Graphic design	4,164	-	-	4,164
Telephone	(1,821)	1,392	-	(429)
Office supplies	776	1,182	-	1,958
Travel	14,950	9,460	-	24,410
Meals & entertainment	609	1,545	-	2,154
Postage	48	341	-	389
Printing & supplies	4,682	62	-	4,744
Professional fees	48,749	5,751	-	54,500
Meetings / seminars	13,756	846	-	14,602
Contract services	3,834	-	-	3,834
Depreciation	-	605	-	605
Advertising	61,892	-	-	61,892
Insurance	705	1,548	-	2,253
Interest expense	-	15	-	15
Organizational cost	-	235	-	235
Bank service charges	825	126	1,678	2,629
Donated materials & supplies	9,995	-	-	9,995
Penalties	-	334	-	334
Dues & subscriptions	<u>870</u>	<u>-</u>	<u>90</u>	<u>960</u>
 Total expenses	 <u>\$ 498,680</u>	 <u>\$ 26,192</u>	 <u>\$ 4,637</u>	 <u>\$ 529,509</u>

See accompanying notes and accountant's independent auditor's report.

OVERSEAS VOTE FOUNDATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2010

	Program <u>Services</u>	Management <u>and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries	\$ 45,571	\$ 6,954	\$ 4,200	\$ 56,725
Payroll taxes and benefits	6,697	1,005	601	8,303
Contract expense	89,909	1,200	-	91,109
Website programming	69,320	-	-	69,320
Hosting-website	9,126	780	-	9,906
Graphic design	6,678	2,815	-	9,493
Telephone	7,031	1,381	-	8,412
Office supplies	810	1,318	-	2,128
Travel	13,192	6,665	-	19,857
Meals & entertainment	351	84	-	435
Postage	1,170	-	-	1,170
Printing & supplies	4,701	514	-	5,215
Professional fees	6,740	2,590	-	9,330
Meetings / seminars	39,486	1,566	-	41,052
Contract services	1,500	1,000	-	2,500
Depreciation	-	605	-	605
Advertising	71,580	-	-	71,580
Public relations	9,045	-	-	9,045
Insurance	-	1,244	-	1,244
Organizational cost	-	235	-	235
Bank service charges	1,421	147	1,250	2,818
Bad debt expense	5,495	-	-	5,495
Dues & subscriptions	<u>-</u>	<u>-</u>	<u>360</u>	<u>360</u>
 Total expenses	 <u>\$ 389,823</u>	 <u>\$ 30,103</u>	 <u>\$ 6,411</u>	 <u>\$ 426,337</u>

See accompanying notes and accountant's independent auditor's report.

OVERSEAS VOTE FOUNDATION, INC.
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (29,706)	\$ 111,470
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	605	605
Allowance for bad debt	-	5,495
(Increase) decrease in current assets:		
Accounts receivable	46,006	(77,301)
Pledges receivable	(4,000)	-
Advances	2,500	(2,500)
Deposits	(22,040)	-
Prepaid expenses	(716)	-
Increase (decrease) in current liabilities:		
Accounts payable	23,014	4,547
Due to directors	(14,415)	15,463
Accrued expenses	<u>15,042</u>	<u>(12,542)</u>
Net cash provided by operating activities	<u>16,290</u>	<u>45,237</u>
NET INCREASE IN CASH	16,290	45,237
CASH, BEGINNING OF YEAR	<u>90,325</u>	<u>45,088</u>
CASH, END OF YEAR	<u>\$ 106,615</u>	<u>\$ 90,325</u>

See accompanying notes and accountant's independent auditor's report.

OVERSEAS VOTE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

NOTE 1 - NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Overseas Vote Foundation, Inc. (the "Organization") is a non-profit organization located in Arlington, Virginia. The Organization serves overseas and military voters by providing public access to innovative voter registration tools and services. The Organization's support comes primarily from grants from charitable organizations and from individual donors' contributions.

The Organization is a non-profit organization as described in Section 501 (c) (3) of the Internal Revenue Code and is exempt from federal and state income taxes.

ACCOUNTING METHOD: The Organization uses the accrual method of accounting. In accordance with FASB Accounting Standards Codification FASB ASC 958-605-25-2 the Organization recognizes contributions as revenue in the period pledged and recognize expenses for goods and services as incurred.

BASIS OF PRESENTATION: As per the guidance of FASB ASC 958-205-45, the Organization classifies net assets and revenues, expenses, gains and losses based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted net assets – net assets that are not subject to donor-imposed stipulations

Temporarily restricted net assets – net assets subject to donor-imposed stipulations that may or will be met either by actions of the Organization and/or the passage of time

Permanently restricted net assets – net assets subject to donor-imposed stipulations to be held in perpetuity. The Organization does not have any permanently restricted assets.

ESTIMATES: The preparation of financial statements in accordance with 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

CASH AND CASH EQUIVALENTS: The Organization considers all highly liquid investments with maturity of three months or less when purchased to be cash equivalents for the purposes of the statement of cash flows.

ACCOUNTS RECEIVABLE: Receivables consist primarily of amounts due from licensing contracts with states or other entities and are carried at original invoice amount. Accounts receivable and related revenues are recorded as earned during the year. Receivables past due more than sixty days are considered delinquent. Delinquent receivables are written off after review of the specific circumstances. The Organization wrote off an uncollected receivable during 2010 to bad debt expense. No allowance for doubtful accounts is considered necessary at December 31, 2011.

CONTRIBUTIONS RECEIVABLE: Contributions receivable represent unconditional promises to give by donors. Current contributions receivable are expected to be collected during the next year and are recorded at net realizable value. As of December 31, 2011, \$4,000 in contributions receivable were recorded. No contributions receivable were recorded in 2010.

See accountant's independent audit report.

OVERSEAS VOTE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FURNITURE AND EQUIPMENT: Furniture and equipment is stated at cost less accumulated depreciation. It is the Organization's policy to capitalize expenditures for these items in excess of \$500. Lesser amounts are expensed. The cost of furniture and equipment is depreciated over the estimated useful lives of the related assets. The cost of assets sold, retired or otherwise disposed of and the related accumulated depreciation is removed from the accounts, and any resulting gain or loss is included in income. Renewals and betterments that materially extend the life of an asset are capitalized. Expenditures for repairs and maintenance are charged against income as incurred. Furniture and equipment are being depreciated over estimated useful lives of five to seven years using a straight-line method.

FAIR VALUE: The Organization follows FASB ASC 820 Fair Value Measurements and Disclosures. The standard prioritized the use of market-based information and established a three-level hierarchy based on transparency of information, such as pricing source, used in the valuation of the asset or liability. As required by the standard, assets and liabilities carried at fair value on a recurring basis are classified in one of the following three-level hierarchy categories:

Level 1: Quoted market prices (unadjusted) in active markets for identical assets or liabilities that the entity has the ability to access at the measurement date

Level 2: Observable inputs or unobservable inputs that are corroborated by market data

Level 3: Unobservable inputs that are not corroborated by market data

The Organization records contributed services at their fair value.

FINANCIAL INSTRUMENTS NOT MEASURED AT FAIR VALUE: Financial instruments not measured at fair value include cash and cash equivalents, receivables, accounts payable and accrued expenses. The carrying amounts of these items approximates fair value due to the short term nature of the financial instruments.

CONTRIBUTED SERVICES: FASB ASC 958-605-25-16 through 25-17, states that contributions of services shall be recognized if the services require specialized skills. Contributed services that do not meet the criteria shall not be recognized. Contributed services are reflected as contributions in the accompanying statements at their estimated values on the date of receipt. The Organization benefited from donated chief executive officer ("CEO") and chief financial officer ("CFO") services in the year ended December 31, 2010, in the amount of \$56,725 plus payroll taxes in the amount of \$8,303 for 2010. The amounts are recorded in the various programs and services based on approximate time spent. Additionally, the Organization benefited from attorneys' services for the years ended December 31, 2011 and 2010 in the amounts of \$52,000 \$8,080 respectively, which was also recorded in program services and administrative expenses.

Further, volunteers have donated significant amounts of time to the Organization in various capacities. However, these services have not been reflected in the financial statements since they neither require specialized skills nor would they have typically been purchased had they not been donated.

TAX STATUS: The Organization is a qualified tax-exempt non-profit organization under Section 501 (c) (3) of the Internal Revenue Code and similar state provisions and is therefore exempt from Federal and State income taxes.

See accountant's independent audit report.

OVERSEAS VOTE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

ADVERTISING: As per guidance in FASB ASC 340-20-25 and FASB ASC 720-35-25, direct response advertising to be capitalized when it can be shown that customers responded to a specific advertisement and there is probable future economic benefit. In 2006, the Organization received a grant from Google™ for their Google™AdWords program. The AdWords program is a direct response advertising program whereby, individuals are lead to the Organization's website by Google™'s search page. Since the Organization does not directly receive any economic benefit and the Google™ AdWords were a grant, the Organization records the grant as a contribution and expenses the advertising cost. Advertising costs expensed were \$61,892 and \$71,580 for the year ended December 31, 2011 and 2010 respectively.

PRIOR YEAR COMPARISONS AND RECLASSIFICATIONS - The Organization has included both current and prior year financial data in its financial statements. As per the guidance in FASB ASC 958-205-45-8, to facilitate the comparison on the Statement of Activities, the Organization has chosen to present the prior year's information in summary form, without segregation of the data by net asset values. As a result, that particular historical information is not presented in compliance with generally accepted accounting principles. It should therefore be reviewed in conjunction with the more detailed information set forth in the audited financial statements for the year ended December 31, 2010, the source from which the summary information was derived.

NOTE 2 – FUNCTIONAL ALLOCATION OF EXPENSES

As per the guidance in FASB ASC 958-204-45-6, the costs of providing the various programs and other activities 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.

NOTE 3 – CONCENTRATIONS

During the year ended December 31, 2011 one organization provided 51% of revenue and support. One vendor provided a majority of the services to fulfill the Organization's mission. There were no concentrations for the year ended December 31, 2010.

NOTE 4 – RESTRICTIONS ON NET ASSETS

As per the guidance in FASB ASC 958-205-45, the Organization classifies and report net assets in three groups - permanently restricted, temporarily restricted, and unrestricted - based on the existence or absence of donor-imposed restrictions and the nature of those restrictions. The Organization has no permanently restricted assets. Temporarily restricted net asserts contain donor-imposed restrictions that expire upon passage of time or when the Organization undertakes a specific action. These net assets are then released and reclassified to unrestricted support when they are expended.

At December 31, 2011, \$29,796 in temporarily restricted net assets from two grants was released from restriction when they incurred expenses satisfying the purpose of the grants. At December 31, 2010, \$125,186 in temporarily restricted net assets from three grants were released from restriction when they incurred expenses satisfying the purpose of the grants.

See accountant's independent audit report.

OVERSEAS VOTE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

NOTE 4 – RESTRICTIONS ON NET ASSETS (CONTINUED)

Temporarily restricted net assets are available for the following purposes:

	<u>2011</u>	<u>2010</u>
Specific grant programs	\$ <u>-</u>	\$ <u>175,000</u>

Net assets were released from donor restrictions by incurring expenses satisfying the purpose specified by donors as follows:

	<u>2011</u>	<u>2010</u>
Purpose restriction accomplished:		
Carnegie grant - Midterm Mobilization	\$ 6,933	\$ 38,074
The PEW grant - OVF Network	22,863	80,200
The PEW grant - Federal Write-in Absentee Ballot	<u>-</u>	<u>6,912</u>
Total restrictions released	\$ <u>29,796</u>	\$ <u>125,186</u>

NOTE 5 – SUBSEQUENT EVENTS

The Organization was awarded five grants under the Federal Voting Assistance Program's (FVAP) Electronic Absentee Systems for Elections (EASE) grants program. The EASE program was initiated in order to support research to advance the electronic options for military and overseas citizens when voting absentee. The Organization was awarded approximately \$900,000 from the five grants, which has not been received. The awards are subject to certain conditions and the Organization does not plan to receive the awards until the 2nd quarter of 2012. The awards will not be reflected in the financial statements until the receipt of the funds and activities have been conducted in accordance with the provision of the grants.

In January 2012, the Organization changed its mission statement to reflect domestic voters as well as overseas and military voters. The Organization also set up a doing business as (DBA) subsidiary called U.S. Vote Foundation. The Organization will develop similar tools for U.S. Vote Foundation and plans to pursue fundraising activities for the DBA.

In March 2012, the Organization received \$50,000 from several board members as short-term loans. The purpose of the loans is to pay operating expenses. The loans are interest-only at 4.0% interest paid monthly and are scheduled to be repaid in September 2012.

See accountant's independent audit report.