

OVERSEAS VOTE FOUNDATION, INC.

AUDITED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

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, 2010 and 2009, 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 provide 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, 2010 and 2009 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 12, 2011

OVERSEAS VOTE FOUNDATION, INC.
STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2010 & 2009

	<u>2010</u>	<u>2009</u>
ASSETS		
CURRENT ASSETS		
Cash	\$ 90,325	\$ 45,088
Accounts receivable	72,606	800
Advances	2,500	-
Prepaid assets	<u>311</u>	<u>311</u>
Total Current Assets	<u>165,742</u>	<u>46,199</u>
FURNITURE AND EQUIPMENT		
Furniture & equipment	3,026	3,026
Less: Accumulated depreciation	<u>(1,561)</u>	<u>(956)</u>
Total Furniture and Equipment	<u>1,465</u>	<u>2,070</u>
TOTAL ASSETS	<u>\$ 167,207</u>	<u>\$ 48,269</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 5,170	\$ 623
Due to directors	15,463	-
Accrued expenses	<u>9,408</u>	<u>21,950</u>
Total Current Liabilities	<u>30,041</u>	<u>22,573</u>
NET ASSETS		
Unrestricted net assets	80,440	18,784
Temporarily restricted net assets	<u>56,726</u>	<u>6,912</u>
Total Net Assets	<u>137,166</u>	<u>25,696</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 167,207</u>	<u>\$ 48,269</u>

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

OVERSEAS VOTE FOUNDATION, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2010
with comparative summarized information for the year ended December 31, 2009

	<u>December 31, 2010</u>		<u>December 31, 2009</u>	
	Unrestricted	Temporarily Restricted	Total	Total
SUPPORT AND REVENUE				
Contributed support	\$ 53,660	\$ 175,000	\$ 228,660	\$ 3,480
Gifts in-kind	71,580	-	71,580	103,749
Donated professional services	73,109	-	73,109	129,731
Earned revenues	164,458	-	164,458	62,252
Net assets released from restrictions	<u>125,186</u>	<u>(125,186)</u>	<u>-</u>	<u>-</u>
Total support and revenues	487,993	49,814	537,807	299,212
 EXPENSES				
Program A - Election Official Directory	10,505	-	10,505	37,692
Program B - Hosted Systems	138,143	-	138,143	155,596
Program C - Express Your Vote	32,283	-	32,283	11,379
Program D - Midterm Mobilization	46,643	-	46,643	-
Program E - FWAB	6,912	-	6,912	10,990
Program F - Military Voter	-	-	-	6,084
Program G - OVF Outreach	-	-	-	11,899
Program H - State Hosted Systems	-	-	-	27,198
Program I - Youth Vote Overseas	-	-	-	10,409
Program J - Overseas Voter Network	80,200	-	80,200	-
Program K - Overseas Citizens Count	16,939	-	16,939	-
Fundraising	6,411	-	6,411	11,164
UOCAVA Summit	58,198	-	58,198	5,876
Depreciation	605	-	605	605
Management and administrative	<u>29,498</u>	<u>-</u>	<u>29,498</u>	<u>47,526</u>
Total Expenses	426,337	-	426,337	336,418
 CHANGE IN NET ASSETS	61,656	49,814	111,470	(37,206)
 NET ASSETS, BEGINNING OF YEAR	<u>18,784</u>	<u>6,912</u>	<u>25,696</u>	<u>62,902</u>
 NET ASSETS, END OF YEAR	<u>\$80,440</u>	<u>\$ 56,726</u>	<u>\$ 137,166</u>	<u>\$ 25,696</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

	<u>Program Services</u>	<u>Management 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 FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2009

	Program <u>Services</u>	Management <u>and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries	\$ 66,250	\$ 10,250	\$ 8,500	\$ 85,000
Payroll taxes and benefits	6,468	1,005	831	8,304
Contract expense	6,290	3,600	-	9,890
Website programming	46,357	-	-	46,357
Hosting-website	8,616	834	-	9,450
Graphic design	3,785	945	-	4,730
Telephone	259	1,053	-	1,312
Office supplies	-	543	-	543
Travel	5,879	4,236	-	10,115
Meals & entertainment	-	459	-	459
Postage	14	99	130	243
Printing & supplies	275	4,773	-	5,048
Professional fees	23,477	15,799	480	39,756
Meetings / seminars	1,393	235	-	1,628
Contract services	4,001	2,150	-	6,151
Depreciation	-	605	-	605
Advertising	103,749	-	-	103,749
Insurance	-	1,140	-	1,140
Organizational cost	-	208	-	208
Bank service charges	310	197	923	1,430
Dues & subscriptions	<u>-</u>	<u>-</u>	<u>300</u>	<u>300</u>
 Total expenses	 <u>\$ 277,123</u>	 <u>\$ 48,131</u>	 <u>\$ 11,164</u>	 <u>\$ 336,418</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, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 111,470	\$ (37,206)
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	(77,301)	26,319
Advances	(2,500)	-
Prepaid expenses	-	(104)
Increase (decrease) in current liabilities:		
Accounts payable	4,547	(35,362)
Due to directors	15,463	-
Accrued expenses	<u>(12,542)</u>	<u>11,679</u>
Net cash provided by (used in) operating activities	<u>45,237</u>	<u>(34,069)</u>
NET INCREASE (DECREASE) IN CASH	45,237	(34,069)
CASH, BEGINNING OF YEAR	<u>45,088</u>	<u>79,157</u>
CASH, END OF YEAR	<u>\$ 90,325</u>	<u>\$ 45,088</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, 2010 AND 2009

NOTE 1 - 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 STANDARD CODIFICATION:

In June 2009, the Financial Accounting Standards Board (“FASB”) issued SFAS No. 168, “The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles,” which was primarily codified into ASC Topic 105, “Generally Accepted Accounting Standards.” It establishes the FASB Accounting Standards Codification (“ASC”) as the single source of authoritative non governmental U.S. generally accepted accounting principles (“GAAP”), superseding existing FASB, American Institute of Certified Public Accountants (“AICPA”), Emerging Issues Task Force (“EITF”), and related accounting literature. This guidance is effective for financial statements issued for reporting periods that end after September 15, 2009. The Organization adopted FASB ASC Topic 105 on September 30, 2009. The adoption of the Codification did not have a material impact on the Foundation’s financial statements.

ACCOUNTING METHOD: The Organization uses the accrual method of accounting. In July 2009, the FASB issued ASC Topic 958 “Not-for-Profit Entities and ASC Topic 605 “Revenue Recognition (formerly SFAS No. 116, “Accounting for Contributions Received and Contributions Made,”) ASC 958-605-25-2 requires that an organization shall recognize 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 Topic 958-205-45 (“*Not-for-Profit Entities-Presentation of Financial Statements-Other Presentation Matters*”), 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.

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.

See accountant’s independent audit report.

OVERSEAS VOTE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2010.

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 Topic 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 Topic 958-605-25-16 through 25-17 (*“Not-for-Profit Entities-Revenue Recognition-Recognition-Contributed Services”*), 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 years ended December 31, 2010 and 2009, in the amount of \$56,725 plus payroll taxes in the amount of \$8,303 for 2010 and \$85,000 for payroll and \$8,304 for payroll taxes for 2009. 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, 2010 and 2009 in the amounts of \$8,080 and \$36,427 respectively, which was also recorded in program services and administrative expenses.

See accountant’s independent audit report.

OVERSEAS VOTE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CONTRIBUTED SERVICES (CONTINUED): 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.

ADVERTISING: As per guidance in FASB ASC Topic 340-20-25 (*“Other Assets and Deferred Costs-Capital Advertising Costs-Recognition”*) and FASB ASC Topic 720-35-25 (*“Other Expenses-Advertising Costs-Recognition”*), 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 \$71,580 and \$103,749 for the year ended December 31, 2010 and 2009 respectively.

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.

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 Topic 958-205-45-8 (*“Not-for-Profit Entities-Presentation of Financial Statements-Other Presentation Matters-Comparative Financial Statements”*), 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, 2009, the source from which the summary information was derived.

NOTE 2 – FUNCTIONAL ALLOCATION OF EXPENSES

As per the guidance in FASB ASC Topic 958-204-45-6 (*“Not-for-Profit Entities-Presentation of Financial Statements-Other Presentation Matters-Statement of Functional Expenses”*), 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.

See accountant’s independent audit report.

OVERSEAS VOTE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

NOTE 3 – RESTRICTIONS ON NET ASSETS

As per the guidance in FASB ASC Topic 958-205-45 (“*Not-for-Profit Entities-Presentation of Financial Statements-Other Presentation Matters*”), 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 assets 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, 2010, \$125,186 in temporarily restricted net assets from three grants was released from restriction when they incurred expenses satisfying the purpose of the grants. At December 31, 2009, \$38,188 in temporarily restricted net assets from two grants were released from restriction when they incurred expenses satisfying the purpose of the grants.

Temporarily restricted net assets are available for the following purposes:

	<u>2010</u>	<u>2009</u>
Specific grant programs	\$ <u>175,000</u>	\$ <u>-</u>

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

	<u>2010</u>	<u>2009</u>
Purpose restriction accomplished:		
Carnegie grant - Midterm Mobilization	\$ 38,074	\$ -
The PEW grant - OVF Network	80,200	-
The PEW grant - Federal Write-in Absentee Ballot	6,912	10,990
JEHT Foundation grant - State Hosted Systems	<u>-</u>	<u>27,198</u>
Total restrictions released	\$ <u>125,186</u>	\$ <u>38,188</u>

NOTE 4 – SUBSEQUENT EVENTS

In preparing these financial statements, management has evaluated events and transactions for potential recognition or disclosure through March 12, 2010, the date the financial statements were available to be issued and has determined that no adjustments are necessary to the amounts reported in the accompanying financial statements.

See accountant’s independent audit report.